

# uThukela District Municipality Local Economic Development Strategy

3 June 2013



cogta

Department:  
Co-operative Governance and Traditional Affairs  
PROVINCE OF KWAZULU-NATAL



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# 1. Introduction

## 1.1 Background

The uThukela District Municipality (“the district municipality”) identified the need to review and update its Local Economic Development (“LED”) Strategy and concurrent review of the local municipality LED plans in order to address the economic challenges facing the municipality. The existing district LED strategy was developed in 2004.

The objectives of the study are to:

- review the existing local LED strategies for Indaka, Emnambithi, Okhahlamba, Imbabazane and uMtshezi local municipalities;
- prepare LED Strategies that will trigger economic development opportunities within the uThukela juristic area; and
- ensure that the strategy is practical and can be successfully implemented by the respective municipalities.

Central to the development of the LED strategy is the need for economic interventions that will assist the district municipality in achieving its vision:

**“An improved quality of life for all in a globally interconnected, stable and developed region.”**

The LED strategies to be developed during this study will cover the district municipality and its five local municipalities (**Figure 1.1**):

- Indaka;
- Emnambithi/Ladysmith (“ELM”);
- uMtshezi;
- Okhahlamba; and
- Imbabazane.

The uThukela District Management Area (“DMA”) was formerly included in the district and has been absorbed into the local municipal areas. The DMA mainly included conservations areas in the west of the municipality, incorporating the uKhahlamba-Drakensberg World Heritage Site.

Figure 1.1 Administrative boundaries of the district municipality



Source: uThukela District GIS Department, 2012

The district is bordered to its south by uMgungundlovu District, to the north-east by Amajuba District and to the east by Umzinyathi District. The Free State Province forms the northern border of the district, whilst the west is bordered by the Drakensberg which separates KZN from Lesotho.

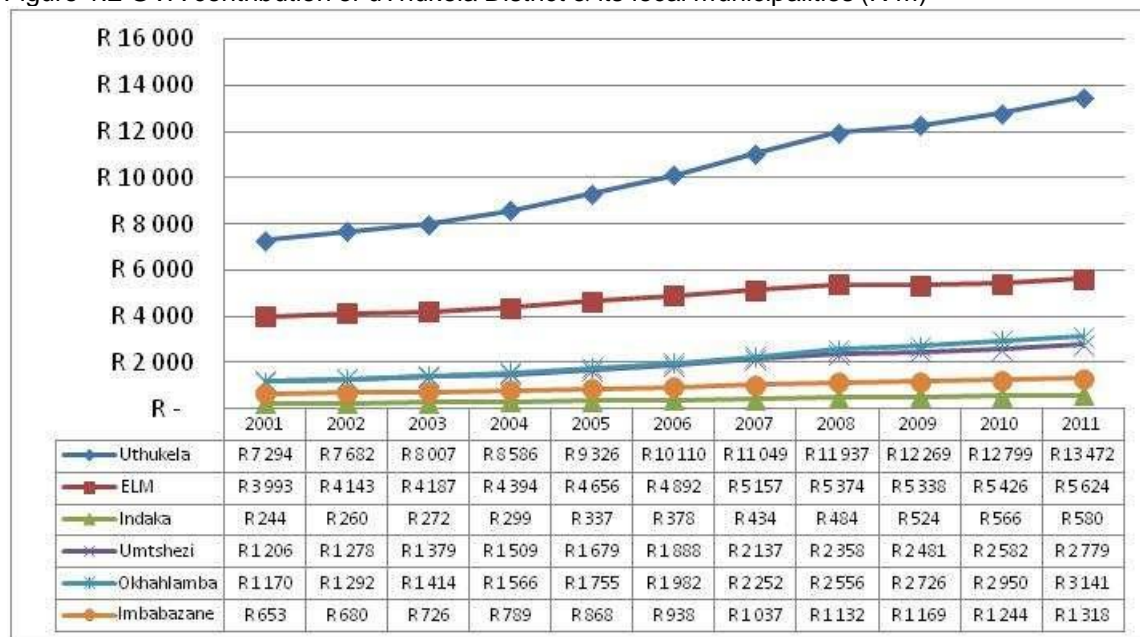
## 1.2 uThukela District Context

uThukela District has a total population of 750 914 (in 2011 figures), contributing 7% to the total population of KZN. The bulk of the district's population resides in Emnambithi/Ladysmith Municipality ("**ELM**") with 33% of the district's population living in the area in 2011.

The total value of goods and services produced in uThukela in 2011 was R13.4 billion, contributing 5% to the provincial economy. The district's economic contribution (in terms of gross valued added ("**GVA**") grew at an average of 6% per annum between 2001 and 2011 which is above the overall average for KZN of 4%.

**Figure 1.2** shows the regional output of the district and its local municipalities from 2001 to 2011.

Figure 1.2 GVA contribution of uThukela District &amp; its local municipalities (R m)



Source: Quantec, 2012

The most significant sector in 2011 was manufacturing which contributed 21% to the district's total GVA. This was followed by wholesale and retail trade, catering and accommodation at 17%; and then finance, insurance, real estate and business services at 15%. The least important sector in terms of GVA in 2011 was mining and quarrying at 1%.

From a GVA growth perspective, construction grew at an average of 11% per annum between 2001 and 2011, followed by finance, insurance, real estate and business services at 10% per annum. The largest sector, manufacturing, grew at 4% per annum. The smallest sector, mining and quarrying, showed a negative average growth rate over the period of -2% per annum.

**Table 1.1** shows the GVA contribution per sector in the district in 2001, 2006 and 2011.

Table 1.1 GVA contribution per sector in constant prices (Rm)

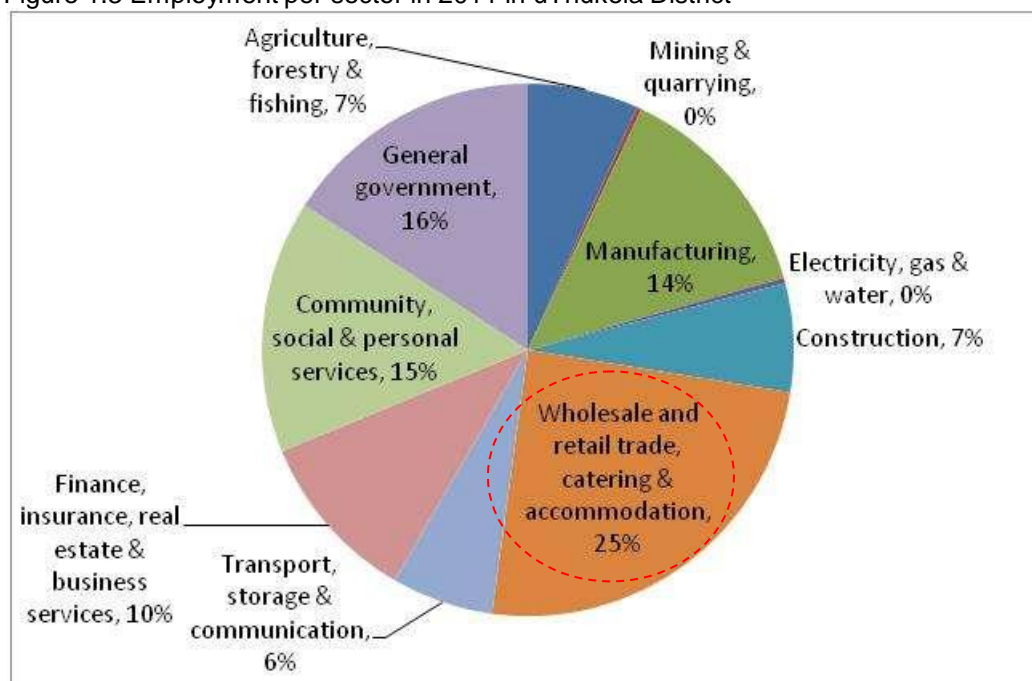
	2001	2006	2011	Average annual growth 2001-2011
Agriculture, forestry and fishing	425	619	946	8%
Mining and quarrying	90	75	76	-2%
Manufacturing	1 917	2 389	2 857	4%
Electricity, gas and water	333	378	402	2%
Construction	184	249	394	11%
Wholesale and retail trade, catering and accommodation	1 116	1 688	2 342	8%
Transport, storage and communication	806	1 326	1 873	9%
Finance, insurance, real estate and business services	833	1 433	2 069	10%
Community, social and personal services	475	617	730	4%
General government	1 116	1 334	1 784	5%

Source: Quantec, 2012

The main source of employment within the district in 2011 was wholesale and retail trade, catering and accommodation at 25%. This was followed by general government at 16% and community, social and personal services at 15%. Employment in the primary sector comprised around 7% of total employment in the district in 2011.

**Figure 1.3** shows the employment per sector within the municipality in 2011.

Figure 1.3 Employment per sector in 2011 in uThukela District



Source: Quantec, 2012

More detailed assessment of the socio-economic context of the district is contained in **Section 3** of this report.

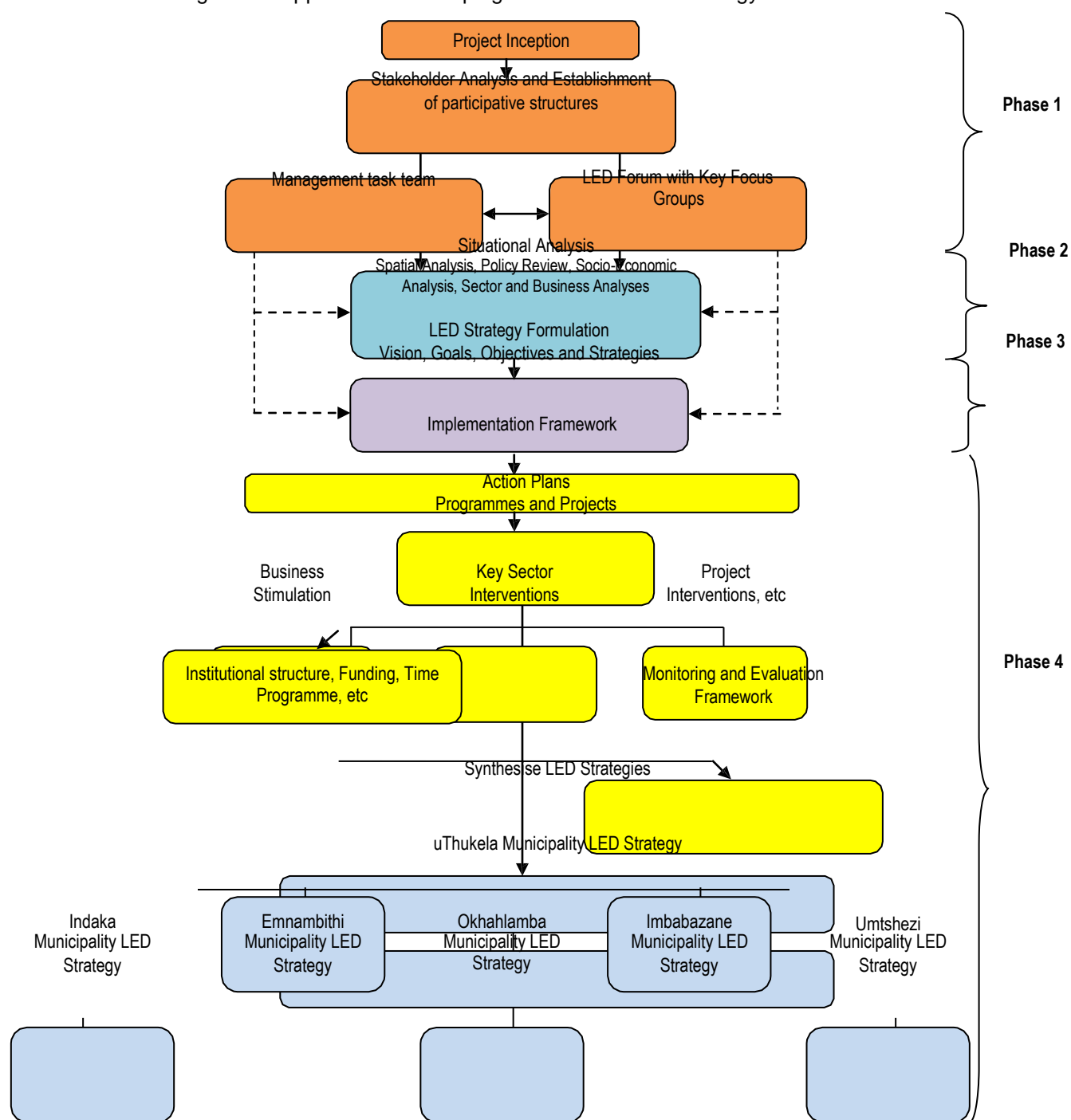
### 1.3 Approach and Methodology

The study comprises the following phases:

- **Phase 1:** Project Inception;
- **Phase 2:** Situational Analysis;
- **Phase 3:** LED Strategy Formulation; and
- **Phase 4:** Implementation Framework.

**Figure 1.4** presents the overall approach to the study.

Figure 1.4 Approach to developing the uThukela LED strategy





### 1.3.1 Methodology for the Situational Analysis

This report contains the information gathered during the situational analysis phase of the study (as well as the local LED Strategy). The broad methodology for conducting the situational analysis included the following activities:

- Developed an understanding of the uThukela area, including the extent of economic activity in the municipality and spread of activities from a spatial point-of-view, including accessibility, development corridors and nodes, size etc;
- Conducted a review of existing documentation to understand the socio-economic profile of the municipality and to provide an overview of policy and strategy alignment issues. This included a review of the existing municipal LED Strategies, spatial development frameworks and sector plans;
- Conducted a review of existing socio-economic and sectoral data to understand and assess the existing economy and sectors of the municipality. This included a review of demographics including population size, number of households, education and skills, levels of unemployment, impact of HIV/AIDS, level of income, access to services, etc;
- Identified recent economic and related development initiatives in uThukela region and at the local level, including identification of key role players and the reasons for successes/failures, and the current status and progress of the existing LED Strategies and projects;
- Identified the types and key formal and informal businesses in uThukela District and local areas and issues impeding the operation and growth of businesses and possible measures to counter this; and
- Reviewed the existing institutional framework for LED, including roles and responsibilities; relationships at provincial, district and local levels; promotion of LED; key performance areas etc.

### 1.4 Data Sources and Assumptions

The information contained in this report is based on secondary research/data sources with additional, supporting information being obtained through limited primary research. The following sources of information have been used in compiling the report:

- Existing legislation and policies, including:
  - Integrated strategy on the Promotion of Entrepreneurship and small Enterprises (compiled by the Department of Trade and Industry, 2005)
  - Stimulating and developing sustainable local economies. National framework for local economic development in South Africa (2006-2011) (compiled by the Department of Provincial and Local Government (“DPLG”), 2006).
  - Accelerated and Shared Growth Initiative for South Africa (“AsgiSA”) (The Presidency, 2006).
  - The National Spatial Development Perspective (The Presidency, 2006).
  - The National Industrial Policy Framework 2007.
  - Comprehensive Rural Development Programme 2009.
  - Towards an Anti-Poverty Strategy for South Africa. Strategy and action plan. Conceptual framework (The Presidency, 2009).

- Five (5) National and Six (6) Provincial Priorities and the Twelve (12) National Outcomes (since 2009).
- The New Growth Path: The framework. Department of Economic Development, 2010.
- The Industrial Policy Action Plan, 2010/11-2012/13.
- Existing strategies, plans and research studies, including:
  - National Development Plan 2030
  - 2007 Agricultural Census (undertaken by Stats SA)
  - 2011 Provincial Growth and Development Strategy (“**PGDS**”)
  - 2007 Provincial Spatial Economic Development Strategy (“**PSEDS**”)
  - 2012 KZN PSEDS District Profiling for uThukela (compiled by KZN DEDT)
  - uThukela 2004 LED Strategy (compiled by MacIntosh, Xaba and Associates)
  - uThukela 2012/13 Integrated Development Plan (“**IDP**”)
  - uThukela 2010/11 Annual Report
  - uThukela 2012 Tourism Development Strategy (compiled by Urban Econ Tourism)
  - uThukela 2008 Spatial Development Framework (“**SDF**”)
  - uThukela Benchmark LED Report (compiled by COGTA and CMRA, 2012)
  - uThukela Water and Sanitation Backlog Study (compiled by Jeffares and Green, 2006)
  - ELM LED Strategy (compiled by Urban Econ, 2010)
  - ELM Manufacturing Sector Strategy (compiled by Urban Econ, 2010)
  - ELM Agricultural Development Plan (compiled by EnvironDev, 2006)
  - ELM Tourism Development Strategy (compiled by Haley Sharpe Southern Africa and Grant Thornton, 2006)
  - Colenso Regeneration Plan (compiled by SiVEST, 2011)
  - Driefontein Local Area Plan (author unknown, 2011)
  - ELM 2009 SDF
  - Ezakheni Township Regeneration Strategy (compiled by Isibani Planning Consultants, 2009)
  - ELM 2012-2017 IDP
  - Ladysmith Black Mambazo Indigenous Music Academy Business Plan (compiled by Urban Econ, 2007)
  - ELM LED Strategy (compiled by Urban Econ, 2010)
  - ELM Manufacturing Sector Strategy (compiled by Urban Econ, 2010)
  - ELM Rural Development Strategy (compiled by Urban Econ, 2010)
  - Ladysmith CBD Regeneration Strategy (compiled by Vuka Africa and Walker Smith Architects, 2010)
  - Imbabazane Agricultural Development Strategy (compiled by Isibuko Se-Africa, 2007)
  - Imbabazane Tourism Strategy (author unknown, 2007)
  - Imbabazane 2012-2013 IDP
  - Imbabazane LED Strategy (author unknown, 2008)
  - Imbabazane 2012/13 SDF Review
  - Indaka 2010 SDF
  - Indaka LED Strategy (author unknown, 2012)
  - Indaka New Town Centre Plan (author unknown, 2012)
  - Indaka 2012-2017 IDP
  - Okhahlamba 2012 SDF
  - Okhahlamba LED Strategy (author unknown, 2011)
  - Okhahlamba 2012-2013 IDP

- Umtshezi 2008 SDF (compiled by Isibuko Se-Africa)
- Umtshezi LED Strategy (compiled by Isibuko Se-Africa, 2007)
- Umtshezi 2011-2012 IDP
- Personal, telephonic or email interviews with key stakeholders, including:
  - District and local municipal officials
  - Okhahlamba tourism industry workshop attendees (workshop held on 4 October 2012)
  - Defy
  - Apollo Tyres
  - Durban Overall
  - National Braiding Industries
  - Pioneer Foods
  - Eversley Seed Potatoes
  - Ithala
  - Ladysmith Chamber of Commerce and Industry
  - Estcourt Chamber of Commerce and Industry
  - Kwanalu
  - Freemans Transport
  - Midlands Beer Distribution
  - Estcourt Farmers Equipment
- uThukela LED Forum
  - This Forum is represented by LED officials from the district and local municipalities, KZN DEDT, and COGTA
- Economic database
  - Quantec Research Database

The data contained in the Quantec Research Database is based on various information sources as follows:

- All the data sets are based upon the 2006 elections demarcation of local municipalities. As soon as the 2011 census data is disseminated, the demarcations will be updated to the 2011 census local municipality boundaries;
- All the information presented on GVA is based on constant prices;
- Community Survey 2007 Stats SA;
- Demographic/AIDS model 2003 Actuarial Society on provincial level;
- Mid-year Population Estimates 2010 Stats SA on provincial level;
- Population Census 2001 Stats SA on small area level;
- Quarterly Employment Surveys 2006-current Stats SA (over 20 000 non-agricultural enterprises) on national level;
- Large sample surveys (various) Stats SA (industry-specific, on enterprise level) on national level; and
- Regional Socio-Economic Analysis, Development Bank of Southern Africa, March 2006.

**Caution** should be used in interpreting the Quantec data as follows:

- The last census data available on local municipal level [at the time of conducting the research] was done in 2001, and therefore all of the projections should not be used for absolute values and interpretation, but rather to compare the profiles of local municipalities. The data will require an update once the results of the 2012 Census Survey have been released through Quantec. The broad results of the survey were released on 30 October 2012 but not to the level of detail required for this study.
- Any employment estimates in South Africa are fraught with difficulties and should be used with care. This is even more so at the regional level, and stems largely from the historical lack of consistent and comprehensive surveys based on both the enterprise and household populations.
- Regional estimates of industry employment (formal and informal) as well as unemployment should be used as medium-term indicators.
- Household income and consumption expenditure is estimated from the Household Surveys and Income and Expenditure Surveys and benchmarked on the South African Reserve Bank (“SARB”) income and expenditure by durability.

### 1.5 List of Abbreviations

<b>AsgiSA</b>	Accelerated and Shared Growth Initiative for South Africa
<b>COGTA</b>	Co-operative Governance and Traditional Affairs
<b>CRDP</b>	Comprehensive Rural Development Programme
<b>DMA</b>	District Management Area
<b>DPLG</b>	Department of Provincial and Local Government
<b>DWAF</b>	Department of Water Affairs and Forestry
<b>ELM</b>	Emnambithi/Ladysmith Municipality
<b>EDDT</b>	Department of Economic Development and Tourism
<b>GVA</b>	Gross Value Added
<b>IDP</b>	Integrated Development Plan
<b>IPAP</b>	Industrial Policy Action Plan
<b>KZN</b>	KwaZulu-Natal
<b>LED</b>	Local Economic Development
<b>MIG</b>	Municipal Infrastructure Grant
<b>PGDS</b>	Provincial Growth and Development Strategy
<b>PIDS</b>	Provincial Industrial Development Strategy
<b>PSEDS</b>	Provincial Spatial Economic Development Strategy
<b>SA</b>	South Africa
<b>SARB</b>	South African Reserve Bank
<b>SDF</b>	Spatial Development Framework
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats

### 1.6 Terminology

- **Dependency ratio** - A measure of the dependency of the youth and aged (combined) on the productive component of the population (those aged between 15 and 64 years). As the ratio increases there may be an increased burden on the productive part of the population to maintain the upbringing and pensions of the economically dependent. This results in direct impacts on financial expenditures on items such as social security and other indirect consequences.
- **Employed individual** - A person of working age (15–65 years) who works for pay, profit or family gain. Such a person can be an employer, an employee, self-employed or a working family member.

- **GVA at constant prices or real value** - Constant prices allow GVA figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices of a specific base period, therefore not compounding the effects of inflation. Constant figures allows for the calculation of the actual increase in production of goods and services produced by the various economic sectors, rather than the real-time value thereof.
- **GVA at current prices or nominal value** - Nominal GVA indicates the present-time prices or value of goods and services produced by the economic sectors. GVA at Current Prices allows for the calculation of the change in the value of goods and services produced by a specific economic sector in correlation with a prior year, thus expressing a real-time value over a period of time.
- **Informal employment** - This indicator is intended to identify persons who are in precarious employment situations. It includes all persons in the informal sector. Employees in the formal sector and persons employed in private households who are not entitled to basic benefits such as pensions or medical aid and who do not have a written contract of employment.
- **Informal sector** - The informal sector has two components as follows: i) Employees working in establishments that employ less than five employees and do not deduct income tax from their salary/wage; or ii) Employers, own account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax.
- **Labour force** - Used to describe those people who are available for employment in a certain area. This term is synonymous with the economically active population.
- **Labour force participation rate** - The ratio of the economically active (employed or unemployed) population over the total working age population.
- **Location quotient** - Provides an indication of the comparative advantage of an economy in terms of its production and employment. An economy has a location quotient larger (smaller) than one, or a comparative advantage (disadvantage) in a particular sector when the share of that sector in the specific economy is greater (less) than the share of the same sector in the aggregate economy. The sectors with values higher should, however, not be regarded as the only sectors worth developing as latent potential in other sectors has not been addressed by this technique.
- **Not economically active individual** - A person who is not working and not seeking work or not available for work. This group includes full time students, housewives, disabled persons, retired people and others who cannot work. The term is only officially applied to those of working age (i.e. 15-65 years).
- **Significance index** - Combines the rankings of GVA and employment contribution for each sector into a single index indicating the relative importance of each sub-sector. The higher the index value, the lower the significance of the contribution made by the relevant sub-sector.
- **Unemployed individual** - An unemployed person has not worked during the last seven days; wants to work and is available to start working in the following two weeks and has taken active steps to look for work or business in the preceding four weeks. The unemployment rate indicates the number of people unemployed as a percentage of the labour force.

## 2. KZN Economic Overview, National & Provincial Policy Context

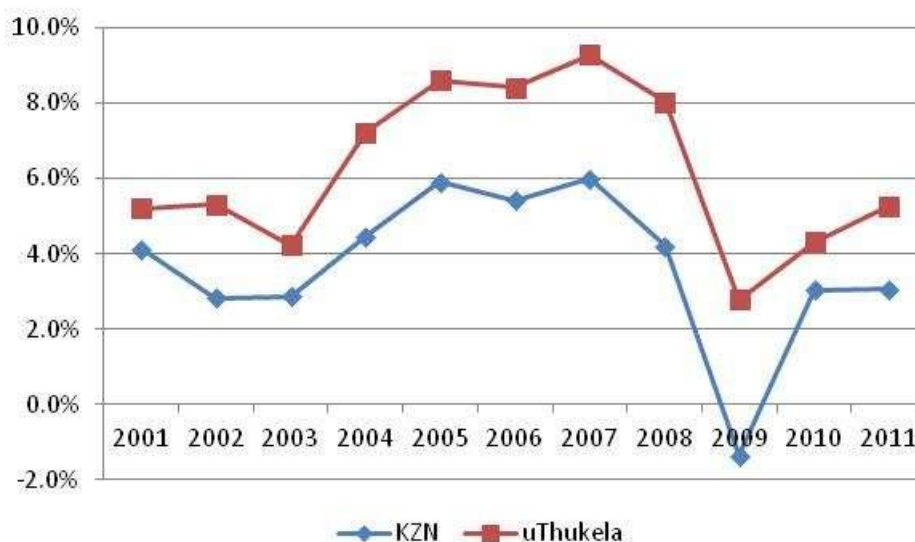
### 2.1 Introduction

This section provides a brief overview of the KZN economy. This is followed by a review of the national and provincial policies and implications for uThukela District.

### 2.2 Brief Overview of the KZN Economy

KZN contributed 16% to SA's GDP in 2011, showing a growth rate of 3%. The province's growth rate is slightly above the national growth rate but it has been unable to sustain growth rates above 3% since the recession (post-2008) (**Figure 2.1**). In terms of uThukela District, its growth rate was well above the provincial average at 5% in 2011 and has exceeded the provincial average for the last 10 years.

Figure 2.1 KZN & uThukela growth trends (year-on-year)



Source: Quantec, 2012

From a sectoral perspective, KZN's economy is driven by the manufacturing sector which has experienced negative growth in recent times. This is attributed to the general decline in consumer demand (especially in key export markets in Europe) and industrial action related to production stoppages (*Ezomnotho, 2011*). Within uThukela District, the manufacturing sector is dominant but its relative size has decreased from 26% in 2001 to 21% in 2011.

**Table 2.1** shows the GVA contribution per sector in KZN and uThukela for 2001, 2006 and 2011.

Table 2.1 Sectoral contribution to KZN &amp; uThukela

Sector	2001		2006		2011	
	KZN	uThukela	KZN	uThukela	KZN	uThukela
Agriculture, forestry and fishing	5%	6%	4%	6%	4%	7%
Mining and quarrying	2%	1%	1%	1%	1%	1%
Manufacturing	25%	26%	24%	24%	22%	21%
Electricity, gas and water	3%	5%	2%	4%	2%	3%
Construction	3%	3%	3%	2%	3%	3%
Wholesale and retail trade, catering and accommodation	14%	15%	15%	17%	15%	17%
Transport, storage and communication	12%	11%	13%	13%	14%	14%
Finance, insurance, real estate and business services	16%	11%	19%	14%	20%	15%
Community, social and personal services	7%	7%	6%	6%	6%	5%
General government	13%	15%	12%	13%	13%	13%

Source: Quantec, 2012

The PGDS (2011) identifies that there has been a major decline in investment into the primary and secondary sectors (predominantly agriculture and manufacturing) over the past decade and this has reduced employment (particularly within agriculture and textiles manufacturing), and reduced the growth potential of the provincial economy substantially. *“As a consequence, the province’s industrial base has experienced a declining national market share, and the province has become a net-importer of agricultural goods, which illustrates the threat to food security and the loss of export potential”*. On the other hand, the tertiary sector has performed well. Tourism is identified as a key sector within the KZN economy and has major potential to improve.

In terms of the labour force, 2.2 million people were employed in KZN in 2011, of which 118 190 were employed in uThukela District. The labour force participation rate in KZN in 2011 was 42%, compared to 36% in the district. KZN’s labour force participation rate has decreased from 50% in 2001 with the district’s also decreasing from 40% in 2001. The unemployment rate in KZN was 22% in 2011, the same as it was in 2001. In uThukela District, the unemployment rate was also 22% in 2011, but this is down significantly from 32% in 2001.

In terms of the sectors, the highest number of people were employed in wholesale and retail trade, catering and accommodation in KZN in 2011 at 22%. In uThukela District, 25% of people were employed in this sector in 2011. According to KZN DEDT, both the manufacturing and agricultural sectors are struggling to create jobs.

The KZN Investment Monitor (up to December 2011) showed that growth in fixed investment in KZN slowed following a surge towards the end of 2010. The main trends identified in the Investment Monitor include low investment in buildings, slowed investment in machinery, but high investment in transport equipment.

The economic growth outlook for the province is expected to be in the region of 3% in 2012 (KZN DEDT, 2012). The uncertain global economic climate is a key factor constraining growth in SA and KZN. Strategies need to be put forward to improve economic growth and these should address the scarcity of skills, poor investment climate and infrastructure bottlenecks to attract investment.



Other economic constraints identified within the PGDS are increasing unemployment, poverty and inequality. KZN is considered to be under-performing relative to national population share (21% of the national population), and currently has the third lowest per capita income nationally (R24 650 compared to Gauteng with R50 955) (*PGDS, 2011*). The PGDS is, however, optimistic about the future of the province with KZN seen as an important gateway to southern Africa, especially in terms of its location, ports and infrastructure.

### **2.3 National and Provincial Policy and Strategy Context**

The intention of this sub-section is not to restate all the relevant national and provincial policies and strategies, but rather to reflect on their overall implications for the uThukela District and the local municipalities.

National government has formulated and implemented a wide range of policies and strategies that have a direct impact on economic development at district and local municipal levels. Some of the key national policy and strategy documents that have relevance for uThukela District include the following:

- Integrated strategy on the Promotion of Entrepreneurship and small Enterprises. Department of Trade and Industry (DTI) (2005);
- Stimulating and developing sustainable local economies. National framework for local economic development in South Africa (2006-2011). Department of Provincial and Local Government (DPLG) (2006);
- Accelerated and Shared Growth Initiative for South Africa (AsgiSA). The Presidency (2006);
- The National Spatial Development Perspective (NSDP). The Presidency (2006);
- The National Industrial Policy Framework (NIPF) (2007);
- Comprehensive Rural Development Programme (CRDP) (2009);
- Towards an Anti-Poverty Strategy for South Africa. Strategy and action plan. Conceptual framework. The Presidency (2009);
- Five (5) National and Six (6) Provincial Priorities and the Twelve (12) National Outcomes (since 2009);
- The New Growth Path: The framework. Department of Economic Development (2010);
- National Development Plan. Vision for 2030. National Planning Commission. Department of the Presidency (2011); and
- The Industrial Policy Action Plan (IPAP) (2010/11-2012/13).

KZN policies and strategies that impact on uThukela District include the following:

- KZN Provincial Industrial Development Strategy (PIDS) (2005);
- KZN Provincial Spatial Economic Development Strategy (KZN-PSEDS) (2006);
- KZN Provincial Growth and Development Strategy (KZN-PGDS) (2011); and
- KZN PSEDS District Profiling for uThukela (compiled by KZN DEDT) (2012).

These economic development frameworks contain the following multiple, reinforcing and crosscutting objectives.

#### **Economic Growth**

- Promoting inclusive economic growth and setting targets to measure success.
- Establishing efficient, competitive and responsive economic infrastructure networks.



- Facilitating growth sectors that are able to create employment in the medium term, and supporting more advanced (knowledge and capital intensive) industries in order to remain competitive in the long term
- Recognising economic growth as a pre-requisite for the achievement of other policy objectives, key in particular is poverty reduction.
- Identification of agriculture, tourism and services as the main drivers of the provincial economy.

### **Human Resource Development**

- Development and enhancement of human skills and capacity building.
- Improving the quality of basic education.
- Facilitating skilled and capable workforce to support an inclusive growth path.

### **Job Creation and Poverty Reduction**

- Creating an environment to generate employment opportunities.
- Reducing poverty and increase participation in the economy.
- Improving service delivery in particular to impoverished communities.
- Placing people at the centre of development programmes.

### **Small Business Development**

- Small enterprise development and support.

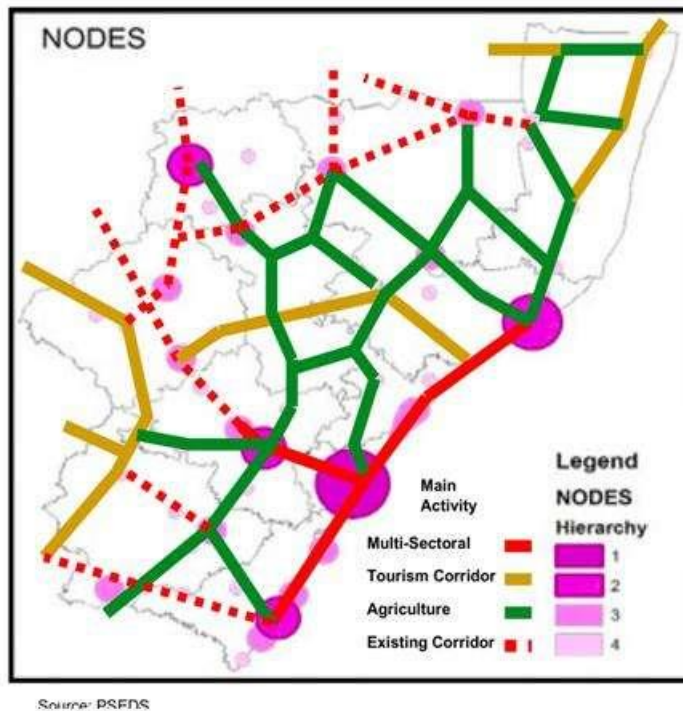
### **Space Economy and urban Nodes**

- Eradicating spatial distortions as an outcome of Apartheid and changing the space economy.
- Focussing government fixed (e.g. capital infrastructure) spending on localities with the potential for economic growth in order to attract private- sector investment, create long-term employment opportunities and reduce poverty.
- Channelling economic development opportunities into activity corridors and nodes (urban centres in particular).
- Provincially, recognising the economic and spatial importance of the N3 and N11 as key transportation corridors linking the Gauteng economic hub with Durban.
- Acknowledging the regional importance of Ladysmith as a major urban node at the junction of the N1 and N11.

The proposals of the KZN Provincial Spatial Economic Development Strategy (2006) are graphically illustrated in **Figure 2.2**. The spatial economic implications of this strategy for uThukela include the following:

- The N3 and N11 as existing and multi-sectoral corridors;
- Ladysmith and Estcourt as third level urban nodes and Bergville as a fourth level node;
- The tourism corridor through uKhahlamba and Imbabazane as well as from Estcourt through to Weenen.

Figure 2.2 Summary nodes of the PSEDS



Source: PSEDS, 2006

### Rural Development

- Promoting rural and agricultural development and land reform.
- Vibrant, equitable and sustainable rural communities with food security for all.

### Sustainable Development

- Creating more sustainable and integrated rural and urban areas, human settlements and communities.
- Employment opportunities and improved quality of household life for all.
- Protection and enhancement of environmental assets and natural resources.
- Ensuring economic benefits are shared more equitably.

### Governance

- A responsive, accountable, effective and efficient local government system.
- An efficient, effective and development oriented public service.
- Empowered, fair and inclusive citizenship.
- Strong leadership and governance.

The state has formulated specific and more detailed economic development policy for firstly, manufacturing and secondly, for rural development, agriculture and land reform.

The *Industrial Policy Action Plan (IPAP)* (2010/11-2012/13) sets out the following objectives: •

Diversification of manufacturing beyond traditional commodities and non-tradable services, and the promotion of increased value addition.

- Intensification of industrialisation processes over the long-term and movement towards a knowledge economy.
- Promotion of a more labour-absorbing industrialisation path.
- Developing a broader-based industrialisation path characterised by the increased participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy.
- Contributing to industrial development on the African continent.

The IPAP identifies the following seven sets of policies that have implications for uThukela District:

- Stronger articulation between macro- and micro-economic policies, in particular in striving for a competitive and stable exchange rate regime.
- Leveraging public and private procurement and focusing on a limited number of large and strategic procurement opportunities.
- Developmental trade policies, lowering tariffs on intermediate inputs and increasing tariff and non-tariff protection for final goods.
- Competition and regulatory policies that lower costs for productive investments by reducing the market power of dominant firms.
- Skills and innovation policies that are aligned to sectoral priorities.

The Provincial Industrial Development Strategy (“**PIDS**”) (2005) targets 13 widely different sectors of the economy, and these include the following:

- Manufacturing (metal fabrication, capital equipment and transport equipment; 'green' and energy-saving industries; automotives, components and medium and heavy commercial vehicles; plastics, pharmaceuticals and chemicals; clothing, textiles, leather and footwear; and cultural industries: crafts and film; and advanced manufacturing).
- Primary production/ manufacturing nexus (agro-processing; downstream minerals beneficiation; bio-fuels; and forestry, paper and pulp, and furniture).
- Services (tourism; and business Process Services).

The PIDS identifies six potential positioning areas of the KZN economy and industry for desired growth and development. The six key areas include:

- a A trade and logistics hub for KZN, the country and region
- b Clusters of world class agriculture and high value manufacturing
- c Excellence in the tertiary sector, particularly in business and creative services (ICT, trade and financial services, film, music and media)
- d The region as a locally and internationally competitive destination (through active promotion)
- e The integration of all human resources and levels of skill into the above mentioned economic activities, and an active involvement of all KZN geographical regions

- f Strengthening and creating creative commercial design capacity and technologies to support this positioning.

The PIDS identifies six cross cutting programmes, namely logistics and transport; empowerment; investment and access to finance; small enterprise development; export development/support; and technology, research and development and innovation. Logistics and transport are of particular significance given the geographic location of uThukela along the N3 and the critical role of this route as connector between Gauteng and Durban. The six priority sectors identified by the PIDS (2005) include high value agriculture, agro-and food processing and biotechnology; clothing and textiles; wood and wood products; ICT and electronics; creative industries, including film, music and media; and crafts

### **Rural Development, Agriculture and Land Reform**

The Comprehensive Rural Development Programme (“**CRDP**”) (2009) aims to facilitate integrated development and social cohesion through on inclusive participation and partnerships. Key objectives of this national programme include:

- Contributing to the redistribution of 30% of the country's agricultural land.
- Improving food security of the rural poor.
- Creating business opportunities.
- Decongesting and rehabilitating overcrowded former homeland areas.
- Expanding opportunities for rural women, youth, people with disabilities and older persons.

The CRDP is premised on three phases, firstly meeting basic human needs as its driver; secondly large-scale infrastructure development as its driver; and thirdly, rural industrial and credit financial sectors, driven by small, medium and macro-enterprises and village markets. The CRDP aims to bring about a measurable increase in agricultural production and enhancing household food security through its Ilima/Letseme campaign. The focus is on encouraging rural communities to grow their own food and ensure access by poor households to basic food at affordable prices. The intention is to achieve this through improving the logistics of food distribution as well as upgrading rural transport infrastructure and services.

The Land Reform Programme has a number of priorities and these include the following:

- Reviewing the land reform products and approaches.
- Reviewing land acquisition models (including the willing buyer-willing seller approach).
- Fast-tracking the settlement of labour tenancy claims.
- Facilitating secure access to land by farm dwellers.
- Protecting the land rights of farm workers.

### 3. uThukela District Economic Analysis

#### 3.1 Introduction

The following chapters examine uThukela Municipality as a *Place* in terms of its broad biophysical features, the settlement pattern and economic nodes, movement routes and corridors; the *People* in terms of the demographic and labour force profile; and the *Economy*, in terms of the contribution and role of various sectors and niches in terms of generating inclusive economic growth.

The current and planned economic investment for the municipality is considered. This is concluded with a synthesis and consideration of the implications for formulating local economic strategies for the municipality.

#### 3.2 The Place: uThukela

uThukela District Municipality forms an important part of the KZN midlands and it is defined by the Drakensberg Mountains as the most influential, visible feature and an anchor point within the region. uThukela has Lesotho and the Drakensberg Mountains along its south-western boundaries, the Free State along its north-western boundary, Amajuba District along its northern boundary, Umzinyathi District on its eastern boundary and Umgungundlovu District along its south-eastern boundary.

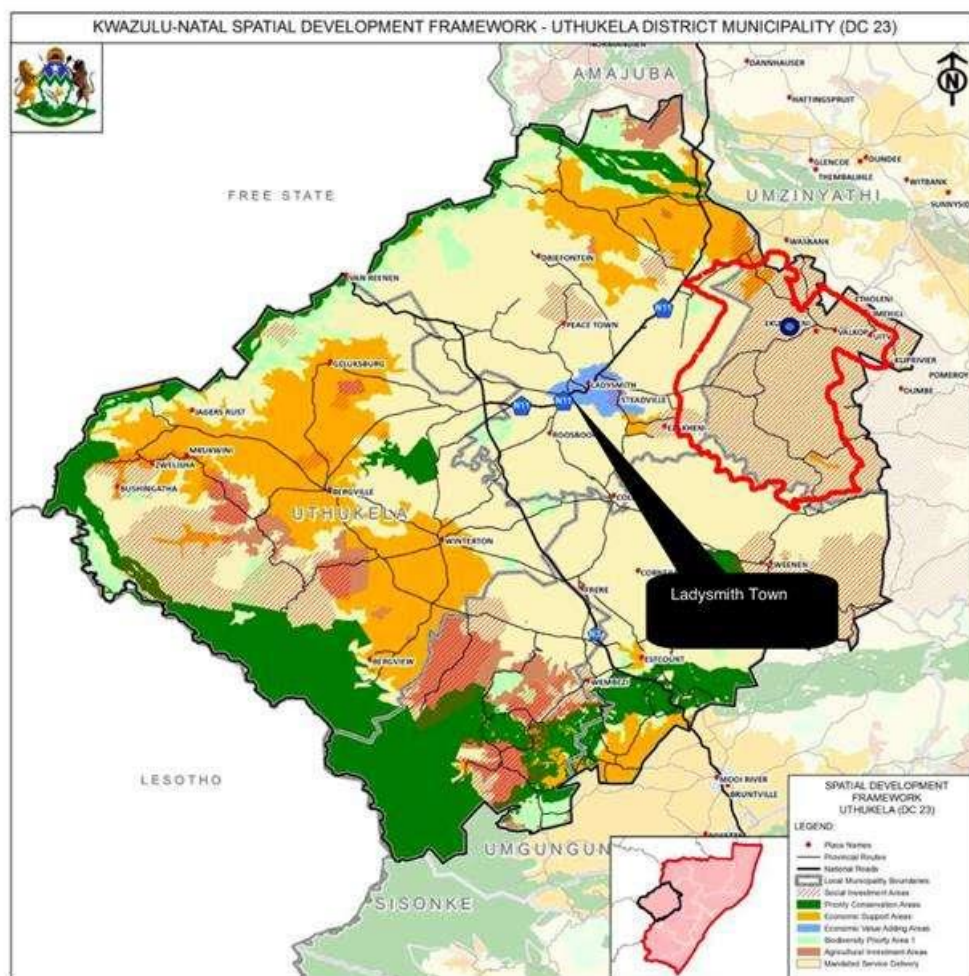
The topography of the district is characterised by foothills, rugged areas, plateaus and rivers, including the uThukela River, Klip River, Sundays River, Wasbank River, Bushman's River and the Umtshezi River. The Ingonyama Trust owns most land within the district. The total population of uThukela is estimated at 750 914. ELM has the largest population at 33% of the total (refer to **Section 3.3** for more details on the demographic and labour profile). The settlement pattern of uThukela is defined by the N3 linking Gauteng with the KZN coast. The PSEDS declares the N3 as a multi-sectoral corridor. Ladysmith is the dominant urban centre in the district in terms of commercial, administrative, manufacturing and higher order public facilities. Historically, key types of manufacturing activities in the area included footwear, food, beverages, transport and logistics. Other smaller towns of significance within the district include Estcourt, Bergville and Colenso while Pietermaritzburg, Harrismith and Newcastle, located outside the district are also of importance. The spatial location of towns, rural settlements and industrial areas in uThukela reflect the Apartheid legacy of separate development.

uThukela has significant areas of agricultural potential. Extensive commercial farming can be found in ELM, Okhahlamba and uMtshezi, whilst subsistence farming is widespread in Indaka and Imbabazane. Commercial farming within the district includes crops, livestock, forests and game. Imbabazane and Indaka municipalities have no significant economic base, whilst Okhahlamba is largely rural in nature, but with a significant tourism base.

uThukela has a significant tourism base as it functions as the gateway to the Drakensberg Mountains as a world heritage site, whilst it is also known for its historic battlefields and natural beauty. Conservation areas include the Tugela Drift Nature Reserve, Nambiti Private Nature Reserve, Royal Natal National Park and the Rugged Glen Nature Reserve.

**Figure 3.1** shows the SDF for uThukela as per provincial spatial planning.

Figure 3.1 SDF for uThukela



Source: uThukela IDP, 2012-2013

### 3.2.1 Key Stakeholder Feedback on Challenges

The following section provides a summary of areas of concern regarding infrastructural challenges in the district. These were raised during stakeholder interviews and in secondary documentation that we reviewed.

#### Utilities

Water is of major concern in the district, particularly in ELM where regular interruptions in supply impact negatively on industry production and reduce the quality of the work environment for labour. The water challenge has mainly arisen due to old infrastructure that is working over capacity. It is also purported that water wastage/losses in the district amount to as much as 70 and that some households in ELM utilise three times the national average in daily water. The rural areas



of the municipality have been identified as a particular challenge given that many residents do not pay for water, resulting in marginal revenue collection for this service.

From an industry perspective in ELM, water interruptions are a major threat to the future viability of industry in ELM with some businesses indicating that they will be forced to relocate out of the area if the situation does not improve. Water quality is also somewhat of a concern from industry. According to the Department of Water Affairs, demand in ELM specifically exceeds supply and expansion of industry in the area has further worsened the situation.

Electricity interruptions also impact negatively on the municipality's ability to deliver water. In terms of electricity, increasing electricity tariffs is a major concern of businesses and some are trying to look at alternative energy sources and conservation measures to save on electricity costs.

DWAF has indicated that they consider water tariffs to be too low and these need to be revised. However, it should be noted that there is a feeling from industry that the current tariffs they are charged for bulk supply are too high and that discounts need to be considered.

### Roads

Road upgrades and new roads should occur in key parts of the municipality and especially in rural areas that are densely populated. These will provide opportunities for new investment in the municipality and also make the cost of transport more affordable, especially in rural areas. The R74 and the R616/N11 between Ladysmith and the Bergville Toll Plaza must be upgraded/completed as a matter of urgency as these are main transport routes in the area.

### Attractiveness of towns to skilled labour

A common theme emerging from all of the business interviews is that most of the businesses experience difficulties in attracting and retaining highly skilled staff, especially if they are younger, due to the lack of adequate housing, shopping, entertainment/recreation, medical and education facilities around the towns. This is especially true for industries based around Ladysmith and Estcourt. In addition, the cost of living in the towns is perceived to be too high, e.g. house price rentals are far higher than those in larger towns/cities elsewhere. Economic leakages are high given that many residents choose to spend their income on entertainment, shopping etc. outside of the municipal area in places such as Pietermaritzburg.

### Transport costs

Although places such as Ladysmith are known transport hubs, the relative transport costs from the district to other areas of the country are considered high. The high cost of fuel is a major input cost to businesses, especially those operating in the transport sector. This issue was raised by respondents in ELM.

## **3.3 The People: Demographics and Labour Force**

### **3.3.1 Population Characteristics**

In 2011, the total population of uThukela was 750 914, contributing 7% to the total population of KZN. The total population of the district grew by 17% between 2001 and 2011 with an average annual increase of 2% over the period.

**Table 3.1** summarises the key population characteristics of the district.

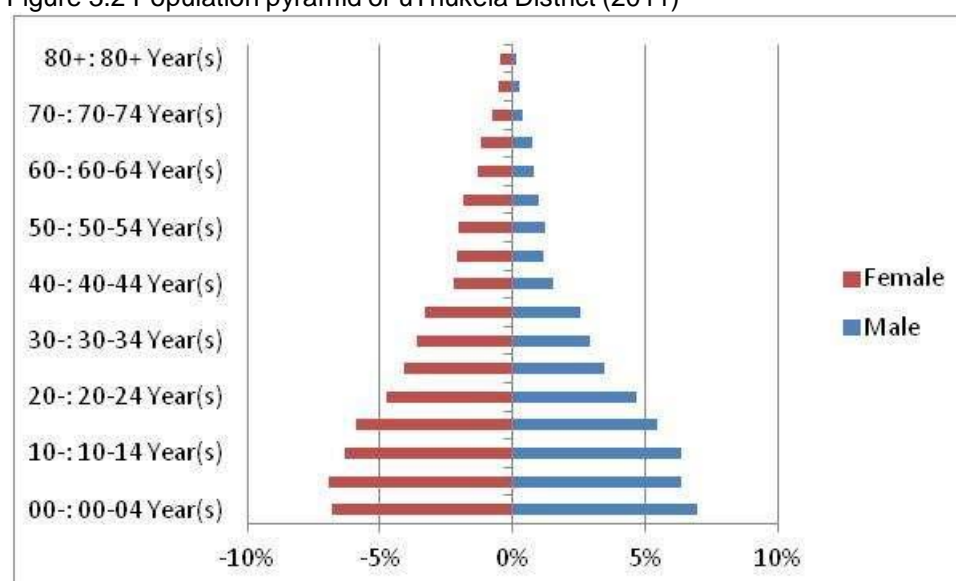
**Table 3.1** Key population characteristics of uThukela

	2001	2006	2011	% change 2001-2011	Average annual growth 2001-2011
Total population: uThukela	644 244	699 942	750 914	17%	2%
Total population: ELM	217 882	236 553	249 672	15%	2%
Total population: Imbabazane	120 486	131 550	146 805	22%	2%
Total population: Indaka	110 143	113 027	107 224	-3%	-0.1%
Total population: Okhahlamba	135 247	146 972	158 342	17%	2%
Total population: Umtshezi	59 447	70 940	88 121	48%	4%
Total population: uThukela DMA	1 041	899	749	-28%	-4%

*Source: Quantec*

**Figure 3.2** shows the population pyramid of the municipality in 2011.

**Figure 3.2** Population pyramid of uThukela District (2011)

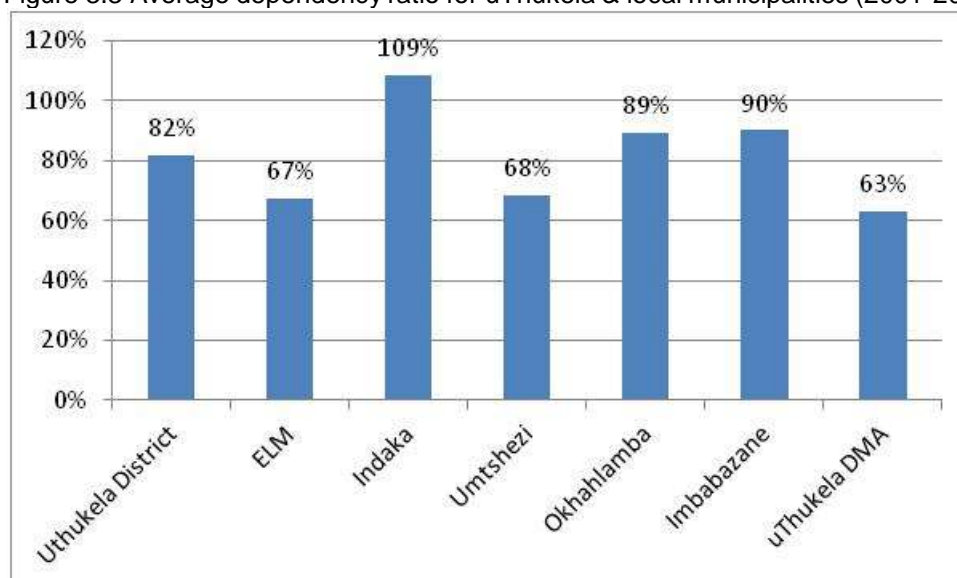


*Source: Quantec*

**Figure 3.3** shows the average dependency ratio for 2001-2011 for the district and its local municipalities.



Figure 3.3 Average dependency ratio for uThukela &amp; local municipalities (2001-2011)



Source: Quantec

Some of the key characteristics of uThukela's population in terms of economic development, include the following:

- Over half (i.e. 51%) of the population in the municipality was below the age of 20 years in 2011, whilst 45% was of working age. The municipality's youth population is below the average for the province which was 55% in 2011. This means that less than half of the population is available for the labour force.
- The dependency ratio in the municipality was 83% in 2001, decreasing to 82% in 2006 and 79% in 2011. The average dependency ratio for 2001-2011 was 82%. The district's dependency ratio is far above the average for the province which was 67% over the same period. High dependency results in further pressure on the labour force to support the youth and aged. ELM's dependency ratio is the lowest for the period at 68% whilst Indaka's ratio is by far the highest at 109%. The data show that the poorest areas have the highest dependency ratios.
- It is estimated that 15% of the population was living with HIV/AIDS in 2001, increasing to 16% in 2006 and decreasing to 15% in 2011. The average infection rate in the municipality for 2001-2011 was 15.3%. This is slightly below the provincial average of 15.4% for the same period. This therefore has an impact on labour productivity, results in a depleted labour force, and adds to the costs to the local economy from reduced productivity and higher healthcare requirements.

### 3.3.2 Household Characteristics

#### Number of Households

Table 3.2 shows the total number of households in each local municipality of the district over time.

Table 3.2 Number of households in uThukela

	2001	2006	2011	% change 2001-2011	% of district total
uThukela	135 994	146 904	149 035	10%	-
ELM	50 087	53 700	53 214	6%	36%
Imbabazane	23 366	25 123	26 320	13%	18%
Indaka	21 093	23 132	22 814	8%	15%
Okhahlamba	27 547	29 763	30 533	11%	21%
Umtshezi	13 631	14 939	15 940	17%	11%
uThukela DMA	270	248	215	-21%	0.1%

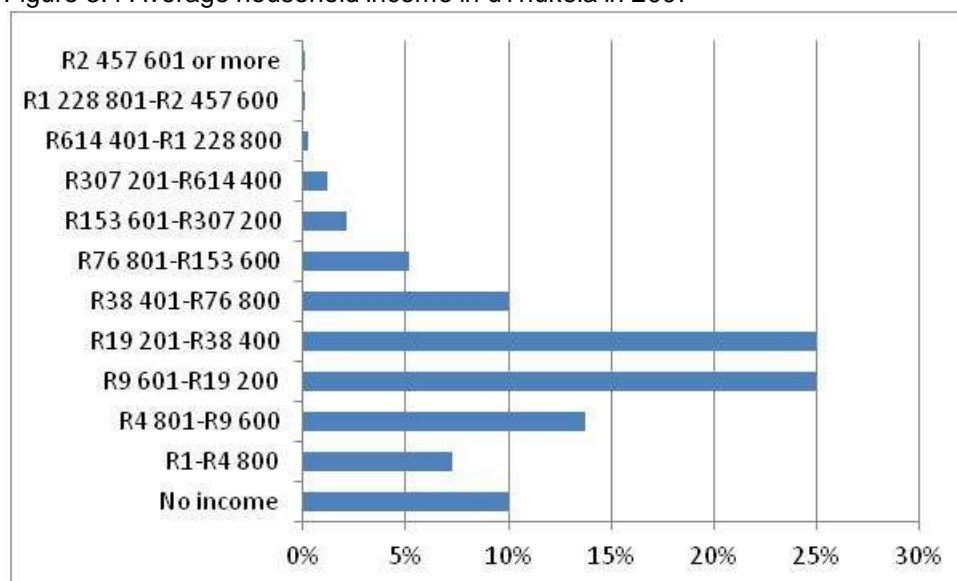
Source: Quantec

- The total number of households in the municipality in 2011 was 149 035, equating to 6% of total households in the province. The number of households in the district increased by 10% between 2001 and 2011 which is far below KZN's average of 16%.
- In 2001, there were 12 households/km<sup>2</sup> in the municipality, growing to and stabilising at 13 in 2003 (up to and including 2011).
- Umtshezi Municipality experienced the highest percentage change in total households between 2001 and 2011 at 17%, whilst the DMA showed the highest negative growth in number of households at -21% over the same period.
- The data indicate that the characteristics of typical households in the municipality is changing and that participation in the economy has become more complex.

#### Household Income

The 2007 Community Survey indicated that 10% of households in the district had no income in 2007, whilst 25% had an annual income of R9 601-R19 200 and R10 201-R38 400 respectively (Figure 3.4). In 2007, 81% of households had a monthly income of less than R3 200 per month.

Figure 3.4 Average household income in uThukela in 2007



Source: Quantec

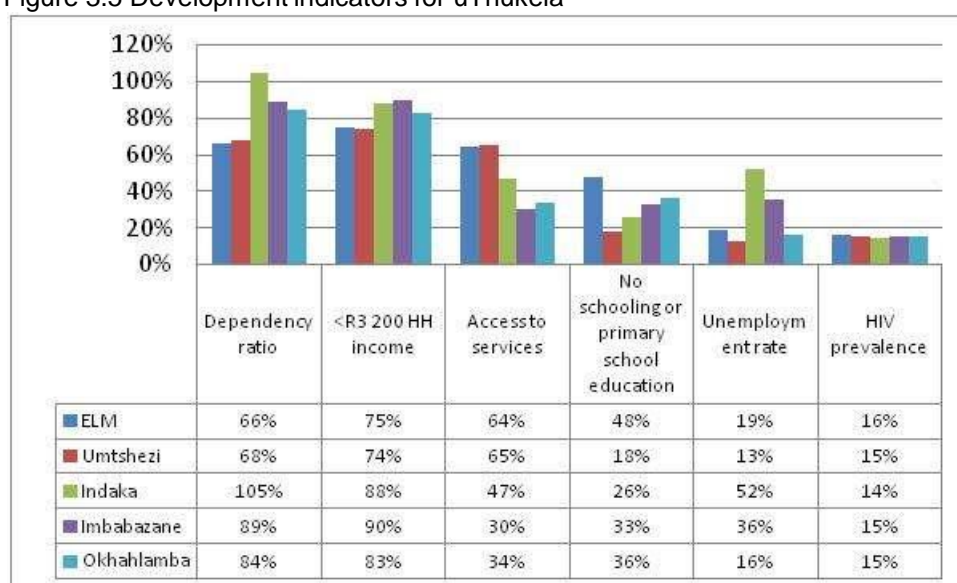
### 3.3.3 Patterns of Poverty and Inequality

The key areas requiring attention in terms of poverty are as follows:

- Indaka Municipality is characterised by the highest levels of dependency, very low income levels, and the highest functional illiteracy rates and unemployment in the district. The municipality has relatively low levels of economic activity compared to the others in the district and as a result, there has been migration from the area as people seek work opportunities.
- Imbabazane Municipality is in a similar situation to Indaka in terms of poverty but it has a higher level of untapped agricultural and tourism potential compared to Indaka to further its economic development into the future. Specific areas requiring attention in Imbabazane are household income levels and basic education.

Figure 3.5 provides a summary of key development indicators for uThukela.

Figure 3.5 Development indicators for uThukela

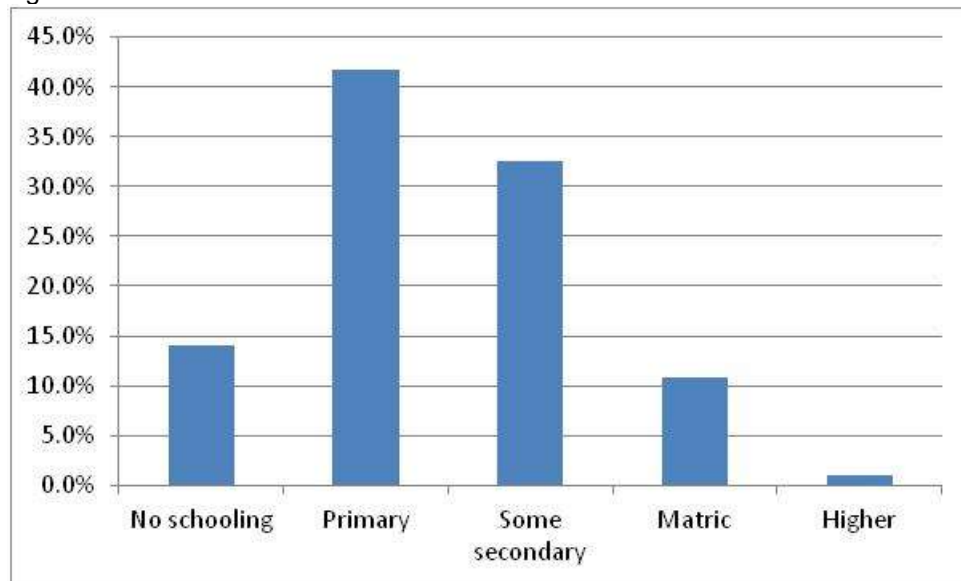


Source: Grant Thornton analysis based on Quantec

### 3.3.4 Education and Skills

A small percentage of the population in the district have post-matric qualifications at only 1%, whilst 14% of the population has no schooling whatsoever. Figure 3.6 shows that 41% have primary school education and 33% have some secondary schooling, whilst only 10.9% achieved matric. This means that there is a limited pool of skilled labour in the municipality and that basic education needs to be addressed in order to improve skills levels in the future. Basic education is considered fundamental to the future success of the local economy.

Figure 3.6 Level of education in Uthukela District



Source: Quantec

In the interviews conducted with stakeholders, some businesses question the suitability and stability of the local workforce. Industrial areas such as Ezakheni Industrial Estate are important sources of employment for workers from townships and rural areas and the relocation of any firm will have a detrimental effect on the local workforce and their dependents.

Labour unions are perceived to pose a threat to industry in terms of potential industrial action and demands for increased remuneration. This has resulted in an increase in the costs of unskilled labour. This sentiment is especially evident in ELM.

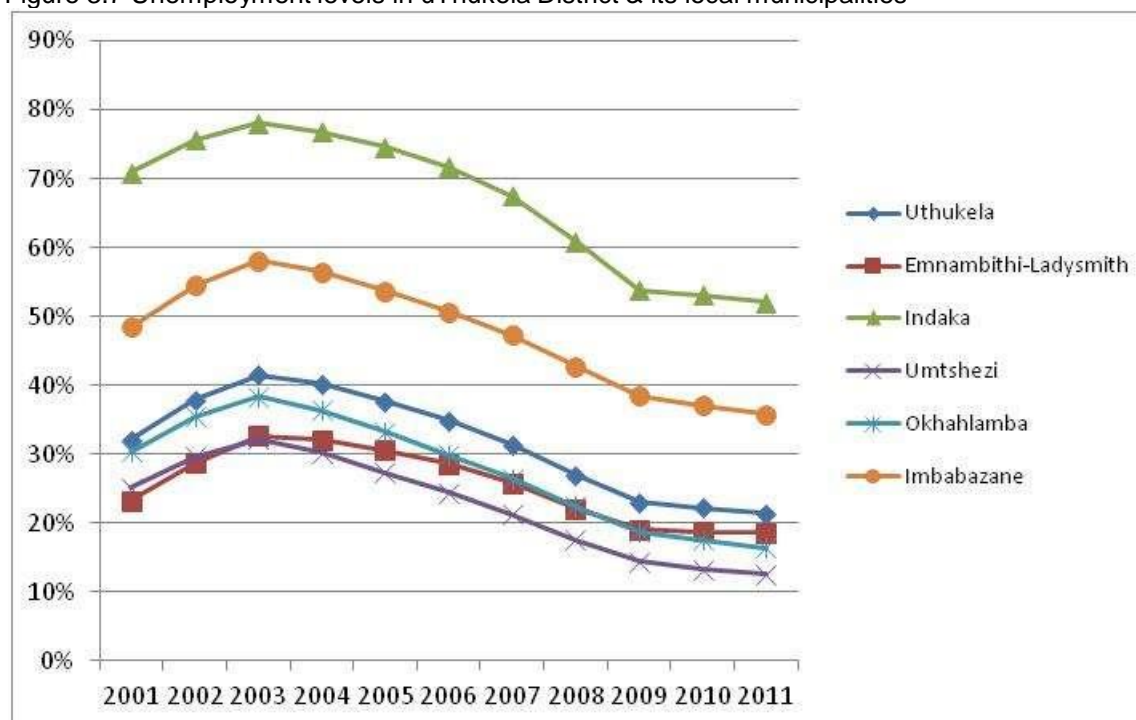
Many of the businesses in the district have their own in-house training programmes as they feel that existing training institutions do not necessarily train people in the skills that are needed by industry.

### 3.3.5 Employment

The unemployment rate in the municipality decreased from 32% in 2001 to 22% in 2011. The level of unemployment in the district is similar to that of the province, which was 32% in 2001 and 22% in 2011.

**Figure 3.7** presents the unemployment rate for the district and each of its local municipalities from 2001-2011. Indaka Municipality has the highest levels of unemployment with the rate being 52% in 2011, whilst the lowest unemployment rate in 2011 was in Umtshezi Municipality at 13%. We have ignored the DMA as the population level is not significant.

Figure 3.7 Unemployment levels in uThukela District &amp; its local municipalities



Source: Quantec

Table 3.3 presents a summary of the employment levels in the district. The number of people who are not economically active increased from 207 830 in 2001 to 268 503 in 2011 (29% increase), compared to an increase in employed people of 21%.

Table 3.3 Employment levels in uThukela District

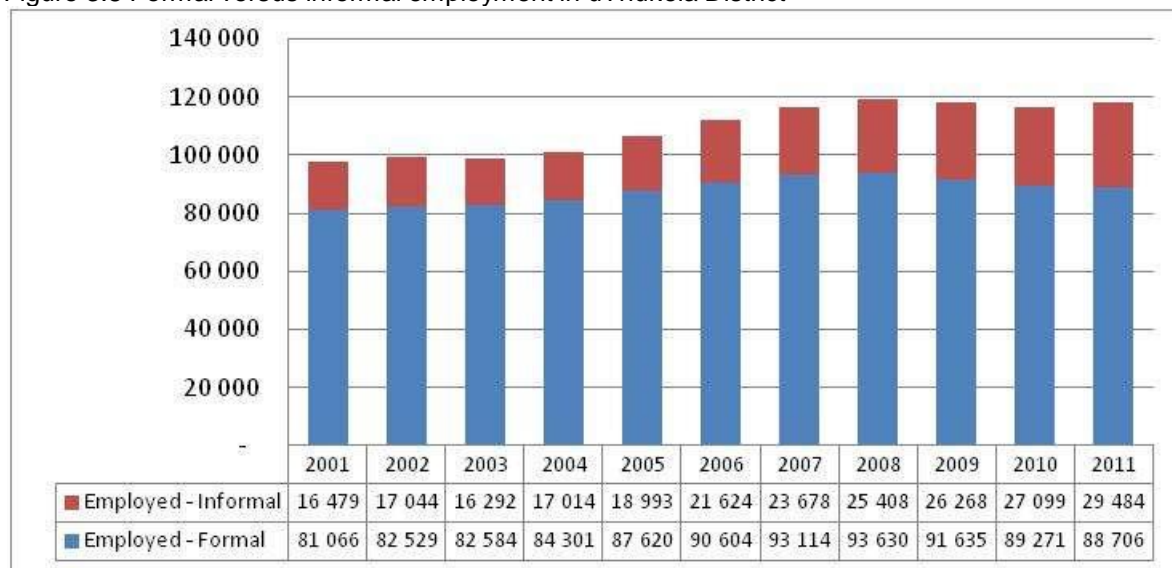
	Total population	Population - Working age	Total employed	Unemployed	Not economically active	Unemployment Rate	Labour Force Participation Rate
2001	644 246	351 530	97 545	46 155	207 830	32%	41%
2006	699 941	384 081	112 228	60 079	211 774	35%	45%
2011	750 913	418 990	118 190	32 297	268 503	22%	36%

Source: Quantec

#### Formal and Informal Employment

The bulk of people are employed in the formal sector within the district, with 75% being formally employed in 2011. The number of people employed in the informal sector has been increasing over time (since around 2004), whilst formal employment has been declining since 2008 mostly due to the impact of the recent global economic recession (Figure 3.8).

Figure 3.8 Formal versus informal employment in uThukela District

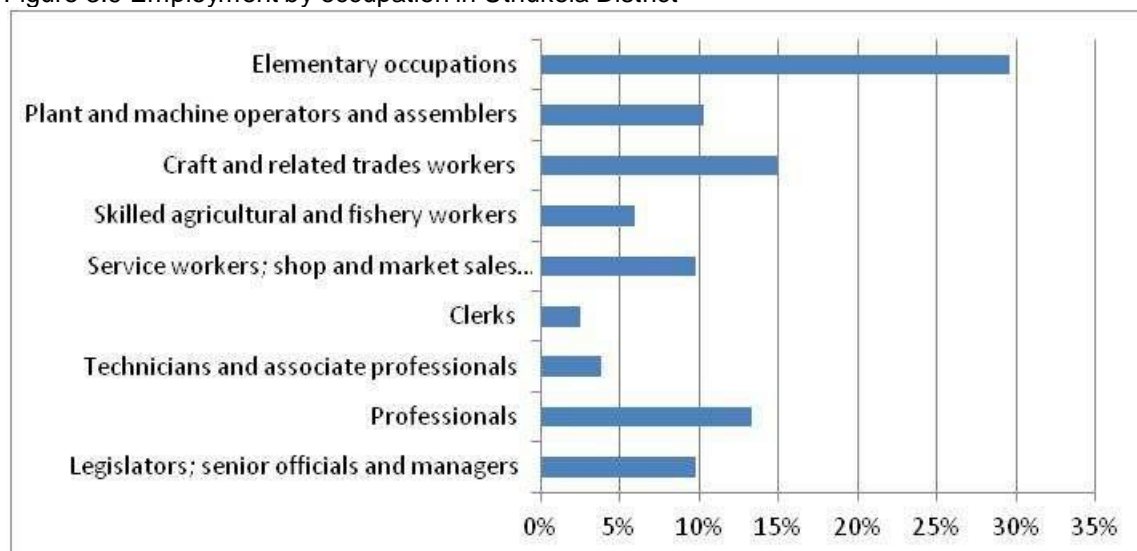


Source: Quantec

#### Employment by Occupation

Over one quarter of the population (30%) is employed in elementary occupations within the district, followed by craft and related trades workers at 15% (**Figure 3.9**). Technicians, professionals, legislators, senior officials and managers combined account for 27% of employment in the municipality.

Figure 3.9 Employment by occupation in Uthukela District



Source: Quantec

### 3.4 The Economy: Sector Analysis

#### 3.4.1 Total Economic Contribution

The total value of goods and services produced in uThukela in 2011 was R13.4 billion, contributing 5% to the provincial economy. The district's GVA contribution grew at an average of 6% per annum between 2001 and 2011 which is above the overall average for KZN of 4%. This is attributed to the high average growth in Okhahlamba, Indaka, Umtshezi and Imbabazane Municipalities.

**Table 3.4** shows the GVA contribution of KZN, uThukela and its local municipalities in 2001, 2006 and 2011.

**Table 3.4 GVA contribution (in constant prices) Rm**

	2001	2006	2011	Average annual growth 2001-2011
KZN	194 419	239 894	277 530	4%
uThukela	7 294	10 110	13 472	6%
ELM	3 993	4 892	5 624	4%
Indaka	244	378	580	9%
Umtshezi	1 206	1 888	2 779	9%
Okhahlamba	1 170	1 982	3 141	10%
Imbabazane	653	938	1 318	7%

*Source: Quantec*

### 3.4.2 Sector Contributions

#### GVA Contribution

**Table 3.5** shows the GVA contribution per sector in constant prices for the district municipality from 2001-2011.

The most significant sector in 2011 was manufacturing which contributed 21% to the district's total GVA (see **Figure 3.10** for the relative contribution per sector over time). This was followed by wholesale and retail trade, catering and accommodation at 17%; and then finance, insurance, real estate and business services at 15%. The least important sector in terms of GVA in 2011 was mining and quarrying at 1%.

From a growth perspective, construction grew at an average of 11% per annum between 2001 and 2011, followed by finance, insurance, real estate and business services at 10% per annum. The largest sector, manufacturing, grew at 4% per annum. Mining and quarrying showed a negative average growth rate over the period of 2% per annum.

**Table 3.5 GVA contribution per sector in constant prices (Rm)**

	2001	2006	2011	Average annual growth 2001-2011
Agriculture, forestry and fishing	425	619	946	8%
Mining and quarrying	90	75	76	-2%
Manufacturing	1 917	2 389	2 857	4%
Electricity, gas and water	333	378	402	2%
Construction	184	249	394	11%
Wholesale and retail trade, catering and accommodation	1 116	1 688	2 342	8%
Transport, storage and communication	806	1 326	1 873	9%
Finance, insurance, real estate and business services	833	1 433	2 069	10%
Community, social and personal services	475	617	730	4%
General government	1 116	1 334	1 784	5%

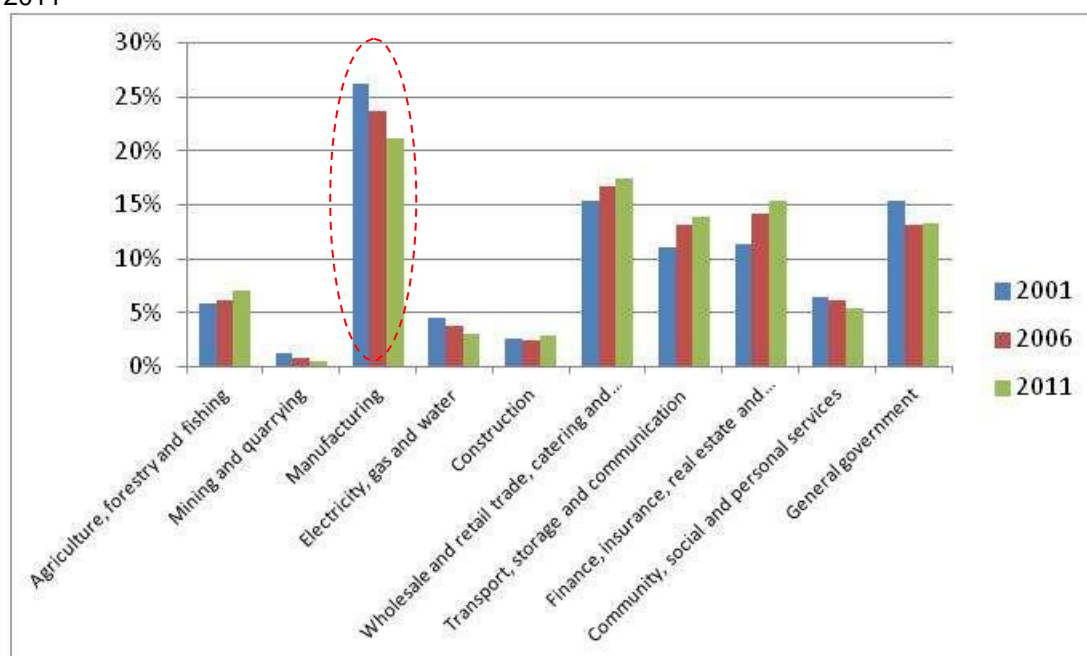
*Source: Quantec*



**Figure 3.10** shows the relative contribution of the district's economic sectors to total GVA in 2001, 2006 and 2011. The manufacturing sector has consistently been the highest contributor to the district's GVA since 2001, although its relative size declined from 26% in 2001 to 21% in 2011. The second highest contributor to GVA over time is wholesale and retail trade, catering and accommodation. Its contribution to GVA has been increasing over time from 15% in 2001 to 17% in 2011. This is then followed by transport and storage (11% in 2001 and 14% in 2011) and finance, insurance, real estate and business services (11% in 2001 and 15% in 2011).

The other sectors, besides manufacturing, with declining contribution to GVA between 2001 and 2011 are mining and quarrying; electricity, gas and water; community, social and personal services; and general government.

**Figure 3.10** Relative contribution of the economic sectors to uThukela's GVA in 2001, 2006 & 2011



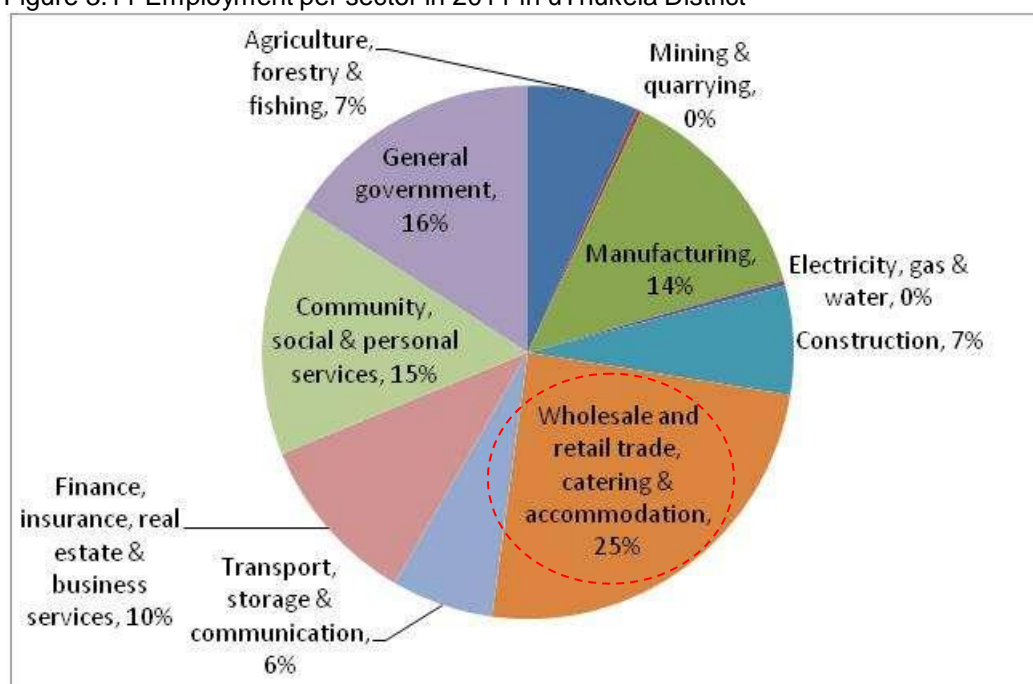
Source: Quantec

### Employment per Sector

The main source of employment within the district in 2011 was wholesale and retail trade, catering and accommodation at 25%. This was followed by general government at 16% and community, social and personal services at 15% (**Figure 3.11**). Employment in the primary sector comprised around 7% of total employment in the district in 2011.



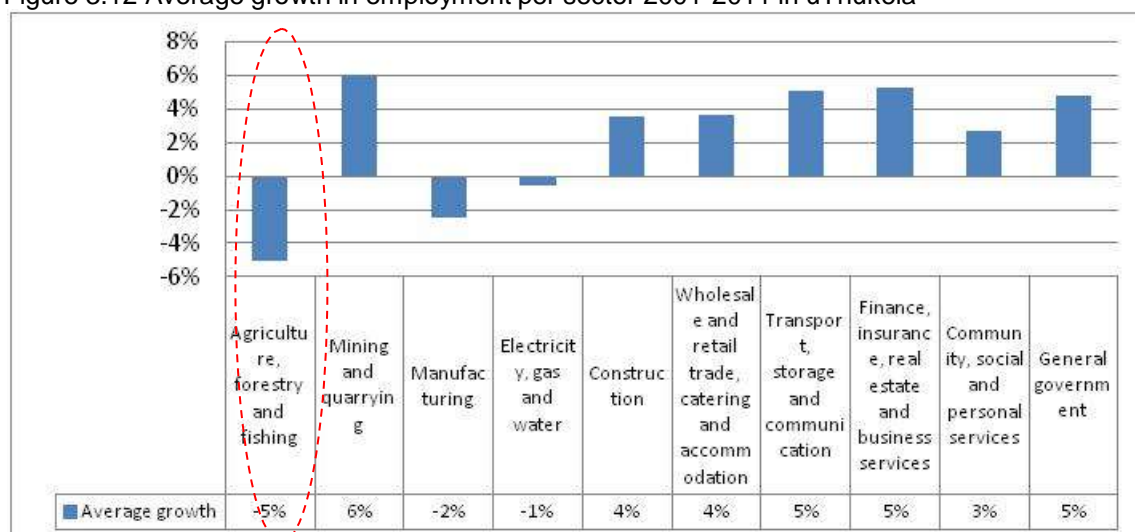
Figure 3.11 Employment per sector in 2011 in uThukela District



Source: Quantec

From an employment growth perspective, the agriculture; manufacturing; and electricity, gas and water sectors showed an average decrease in employment of 5%, 2% and 1% respectively between 2001 and 2011 (Figure 3.12). The biggest employment gains were in mining and quarrying (6% growth); finance, insurance, real estate and business services; transport, storage and communications; and general government (all 5% growth respectively).

Figure 3.12 Average growth in employment per sector 2001-2011 in uThukela



Source: Quantec

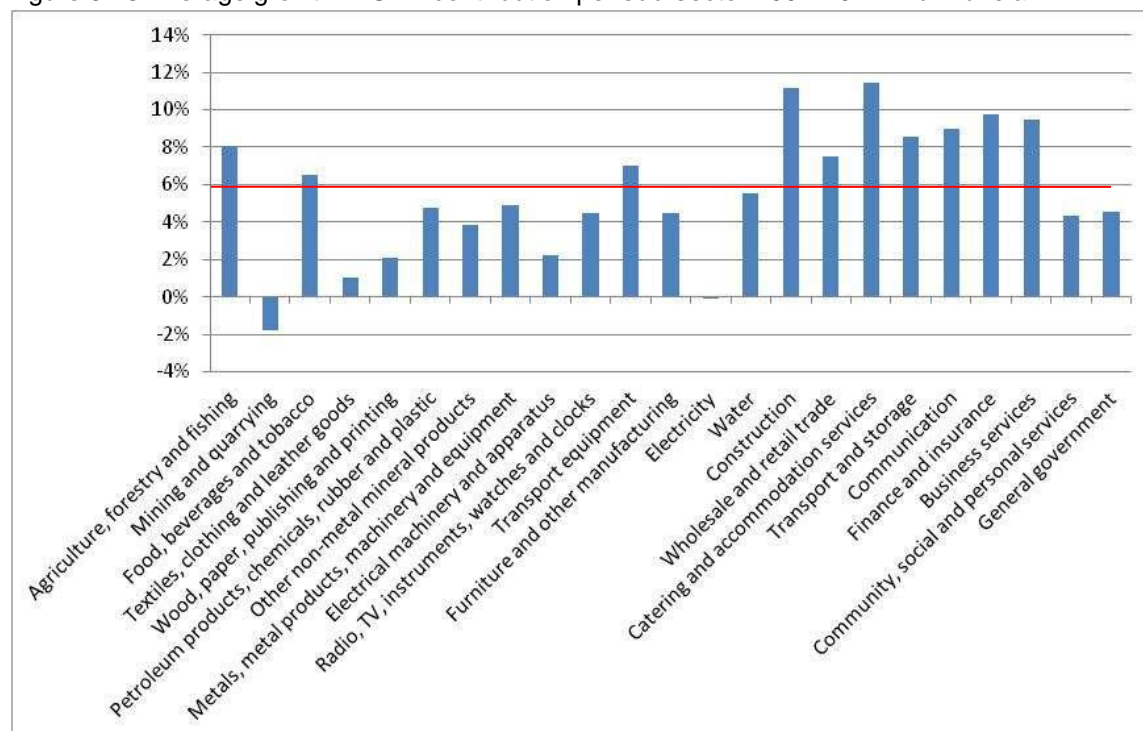
### 3.4.3 Sub-sector Contributions

**Figure 3.13** shows the average growth in GVA contribution per sub-sector from 2001-2011. The average growth across all sub-sectors for the period was 6% (shown by the red line in **Figure 3.13**).

The catering and accommodation; and construction sub-sectors both increased their economic contributions by an average of 11% over the period. This was followed by finance and insurance at 10%; and then business services; communication; and transport and storage, all at 9%. Agriculture grew at an average of 8% over the period.

In contrast, the most significant decline was in the mining and quarrying sub-sector at -2%.

Figure 3.13 Average growth in GVA contribution per sub-sector 2001-2011 in uThukela



Source: Quantec

### GVA and Employment Significance Index for the Sub-sectors

**Table 3.6** presents the significance index across the district sub-sectors for 2001, 2006 and 2011 with the top five shown in bold. The significance index combines the rankings of GVA and employment contribution for each sector into a single index indicating the relative importance of each sub-sector. The higher the index value, the lower the significance of the contribution made by the relevant sub-sector.

The most significant sub-sectors over the time period were wholesale and retail trade; general government; agriculture, forestry and fishing; community, social and personal services; and then business services. The least significant sub-sectors over the time period were electrical machinery; radio, TV, instruments, watches and clocks; mining and quarrying; water; and transport equipment.

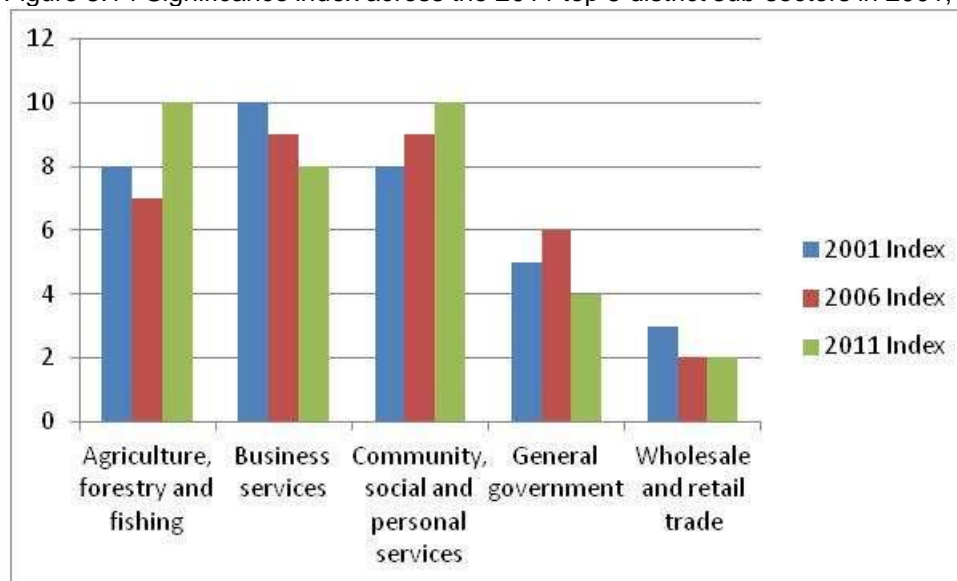
Table 3.6 Significance index across the district sub-sectors

	2001	2006	2011	Average Index
<b>Agriculture, forestry and fishing</b>	<b>8</b>	<b>7</b>	<b>10</b>	<b>8</b>
<b>Business services</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>9</b>
Catering and accommodation services	26	26	22	25
Communication	33	31	31	32
<b>Community, social and personal services</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>9</b>
Construction	20	20	17	19
Electrical machinery and apparatus	43	46	46	45
Electricity	31	31	36	33
Finance and insurance	25	22	18	22
Food, beverages and tobacco	18	20	18	19
Furniture and other manufacturing	29	29	30	29
<b>General government</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>5</b>
Metals, metal products, machinery and equipment	22	21	23	22
Mining and quarrying	41	42	39	41
Other non-metal mineral products	36	35	35	35
Petroleum products, chemicals, rubber and plastic	21	23	23	22
Radio, TV, instruments, watches and clocks	43	43	43	43
Textiles, clothing and leather goods	12	14	18	15
Transport and storage	11	11	10	11
Transport equipment	39	39	39	39
Water	41	38	40	40
<b>Wholesale and retail trade</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>
Wood, paper, publishing and printing	27	28	30	28

Source: Quantec

**Figure 3.14** shows the change in the significance index for the 2011 top five sub-sectors and how they have changed over time. Wholesale and retail trade; and business services have become more significant over time, whilst community services have become less significant over time. Agriculture became more significant in 2006 but less significant in 2011, whilst general government became less significant in 2006 but more significant in 2011.

Figure 3.14 Significance index across the 2011 top 5 district sub-sectors in 2001, 2006 &amp; 2011



Source: Quantec

#### Overview of Selected Sectors

Based on the sector-specific information, the strategic economic growth sectors within uThukela are:

- Agriculture, forestry and fishing
- Manufacturing
- Wholesale and retail trade, catering and accommodation

The following sections provide a brief overview of each of the above sectors as they relate to the district.

#### ***Agriculture, forestry and fishing***

Agriculture contributed R946 million to the district economy in 2011 and employed 7 959 people. The sector had one of the highest average annual growth rates in terms of GVA at 8% for 2001 to 2011, although employment growth was negative at -5% per annum. The number of people employed in agriculture, forestry and fishing started decreasing in 2007 which is in line with provincial trends in the sector.

The sector contributed 7% to total GVA and employment within the municipality in 2011. The municipality's agricultural sector contributed 7% to total agricultural GVA of KZN in 2011, up from 4% in 2001. Employment in uThukela's agricultural sector as a proportion of total agricultural employment in KZN was 8% in 2011, also up from 4% in 2001. Commercial agriculture occupies a large portion of the municipal land area but subsistence farming is the dominant activity in the municipality.

**Table 3.7** shows the relative contribution of uThukela's agricultural sector in 2001, 2006 and 2011.

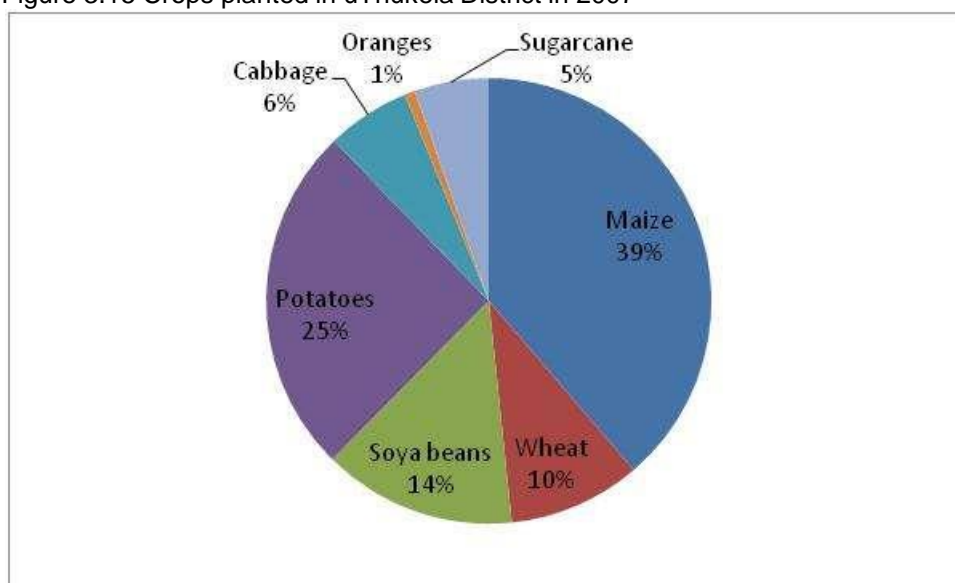
**Table 3.7 Contribution of uThukela's agricultural sector**

	2001	2006	2011
uThukela's agriculture, forestry and fishing GVA contribution (Rm)	425	619	946
Relative contribution to total GVA within uThukela	6%	6%	7%
Relative contribution to total GVA within KZN	4%	6%	7%
uThukela's agriculture, forestry and fishing employment contribution	13 772	16 305	7 959
Relative contribution to total employment within uThukela	14%	15%	7%
Relative contribution to total employment within KZN	4%	6%	8%

*Source: Quantec, 2012*

According to the 2007 Census of Agriculture, there was approximately 63 000 ha of area planted to crops in the district in 2007. The main crop planted was maize followed by potatoes, with the main areas for cropping being Estcourt and Bergville (**Figure 3.15**).

**Figure 3.15 Crops planted in uThukela District in 2007**



*Source: 2007 Census of Agriculture*

In addition, there were 1 million chickens, 56 000 pigs, 47 000 cattle and 26 000 sheep in the district in 2007. Beef ranching dominates in ELM, whilst chickens are the dominant activity in Umtshezi Municipality. The main area of sheep and pig farming is also in Umtshezi Municipality.

The challenges facing agriculture in the district have been discussed in the local municipality sections of the report but the main issues emerging are:

- Traditional value systems hinder the ability of communal farmers to become more commercialised as the economic value of their livestock is not appreciated.
- Poor herd quality in terms of cattle means that commercialisation of cattle farming is limited.
- Stock theft is a major problem in the district.
- Failure of land reform to produce viable and sustainable farming operations.

- Communally-owned cattle represent a huge proportion of stock in the district and this asset needs to gear further investment in agriculture.
- Whilst it is important to identify potential value adding opportunities, these must be done within the context of the broader economy and impacts on businesses elsewhere in the supply chain.
- There is a need to make people directly responsible for their farming activities and their own success.
- Make use of existing knowledge systems within communities to make agriculture a success.
- There is a need to develop incentives and tax breaks to support investment in the industry.
- There is a need to improve perceptions of the agricultural industry so that it is appealing to the younger generation.
- Farmers in the region are concerned about the threat of land claims and land grabs.
- There has been a steady decline over time in the number of people entering agriculture given the challenges faced by farmers and the attractiveness of other sectors to the younger generations.
- There seems to be a sense of disillusion from commercial farmers with government and programmes to mentor emerging farmers.
- There is a need to identify agricultural activities that are labour intensive and develop these to address some of the employment issues that exist.

### *Manufacturing*

Manufacturing, which was the most significant economic sector, contributed R2.9 billion to the economy of uThukela in 2011 and employed an estimated 16 082 people. The sector's average annual growth rate in GVA was 4% between 2001 and 2011 but employment growth was negative at -2% per annum. The sector contributed 21% to total GVA and 14% to employment within the district municipality in 2011.

The district's manufacturing sector contributed 5% to total manufacturing GVA of KZN in 2011, up from 4% in 2001. Employment in the municipality's manufacturing sector as a proportion of total manufacturing employment in KZN remained stable at 6% between 2001 and 2011.

**Table 3.8** shows the relative contribution of the district's manufacturing sector in 2001, 2006 and 2011.

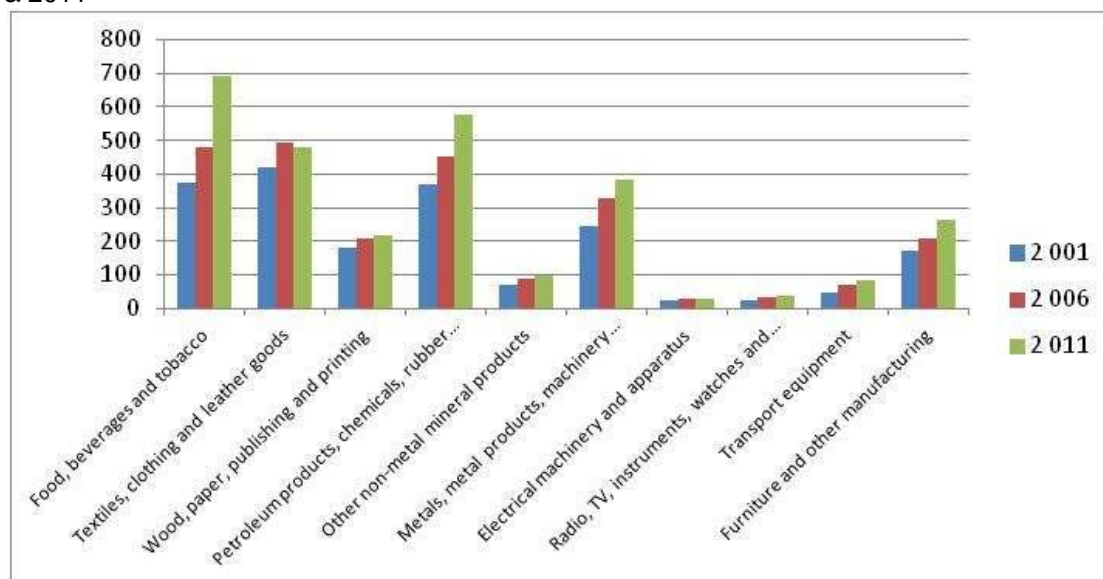
**Table 3.8 Contribution of uThukela's manufacturing sector**

	2001	2006	2011
uThukela's manufacturing GVA contribution (Rm)	1 917	2 389	2 857
Relative contribution to total GVA within uThukela	26%	24%	21%
Relative contribution to total GVA within KZN	4%	4%	5%
uThukela's manufacturing employment contribution	21 190	18 891	16 082
Relative contribution to total employment within uThukela	22%	17%	14%
Relative contribution to total employment within KZN	6%	6%	6%

*Source: Quantec, 2012*

The main sub-sectors within manufacturing of the district are food, beverages and tobacco; petroleum products, chemicals, rubber and plastic; and then textiles, clothing and leather goods (**Figure 3.16**). All of the manufacturing sub-sectors have remained relatively stable in terms of the contribution to the manufacturing sector since 2000.

Figure 3.16 Manufacturing sub-sector contributions to uThukela's total GVA (Rm) in 2001, 2006 & 2011



Source: Quantec, 2012

The dominant manufacturing areas of the district are in ELM and Umtshezi Municipalities, with Ezakheni Industrial Estate and Danskraal forming the major industrial areas in ELM. Large manufacturing enterprises are based in both municipalities and include Defy Appliances, Zorbatex, Nestle, Eskort, Apollo Tyres and Clover.

From a stakeholder feedback perspective, the major concern amongst manufacturers in ELM relates to the supply of water. All of the manufacturers interviewed in ELM and Umtshezi indicated that electricity tariffs are high as well.

#### ***Wholesale and Retail Trade, Catering and Accommodation***

Wholesale and retail trade was the second largest sector in the district in 2011 in terms of GVA contributing R2.3 billion and employing 29 080 people. The sector had an average annual growth rate in GVA of 8% (2001-2011), with employment growth at 4% per annum. The sector contributed 17% to total GVA and 25% to employment within the municipality in 2011.

The district's wholesale and retail trade sector contributed 6% to total wholesale and retail trade GVA of KZN in 2011, up slightly from 4% in 2001. Employment in uThukela's wholesale and retail trade sector as a proportion of total wholesale and retail trade employment in KZN was 6% in 2011, up from 5% in 2001.

**Table 3.9** shows the relative contribution of the municipality's wholesale and retail trade sector in 2001, 2006 and 2011.



Table 3.9 Contribution of uThukela's wholesale &amp; retail trade sector

	2001	2006	2011
uThukela's wholesale & retail trade GVA contribution (Rm)	1 116	1 688	2 342
Relative contribution to total GVA within uThukela	15%	17%	17%
Relative contribution to total GVA within KZN	4%	5%	6%
uThukela's wholesale & retail trade employment contribution	19 857	25 489	29 080
Relative contribution to total employment within uThukela	20%	23%	25%
Relative contribution to total employment within KZN	5%	5%	6%

Source: Quantec, 2012

#### *Tourism Contribution to uThukela*

The current tourism destinations (or regions) that fall within the district municipality are the 'Battlefields' and 'Drakensberg' destinations (as defined by TKZN). The assessment of tourism in the municipality is therefore based on data available for these destinations. The information provided in this section has been sourced from the uThukela Tourism Strategy (2012).

#### Foreign Tourism

- An estimated 162 967 foreign tourists visited the district municipality in 2010. This is based on 126 492 tourists to the Drakensberg and 36 475 tourists to the Battlefields.
- The main source markets of foreign tourists in the district are the UK, Germany, Netherlands and USA (as reported in the uThukela tourism strategy).
- The average spend per trip of foreign tourists to the district municipality is reported in the tourism strategy as R7 215. This is equivalent to the average spend per trip reported by TKZN for all foreign tourists to KZN.

#### Domestic Tourism

- The district received an estimated 349 860 domestic trips in 2010. This is based on 295 148 trips to the Drakensberg and 54 713 trips to the Battlefields. The market share of total trips to the Drakensberg and Battlefields is therefore 26% and 23% respectively.
- The average length of stay of domestic tourists to the Drakensberg is reported in the uThukela tourism strategy as 4.5 nights, with the length of stay to the Battlefields at 2.0 nights.
- The main domestic source markets in the district are Gauteng and KZN itself.
- The average spend per trip of domestic tourists to the district municipality is reported in the tourism strategy as R710. Again, this is equivalent to the provincial figures in terms of average spend.

#### Employment in Tourism in uThukela

The total number of people employed by tourism in the district is estimated at 2 968 direct and 4 544 direct and indirect (*Urban Econ Tourism, 2012*). This equates to around 3% of provincial employment in tourism (direct).

### Tourism Resources and Facilities in uThukela

The district is rich in natural, cultural and historical heritage with the major attractions being the uKhahlamba-Drakensberg World Heritage Site and the Battlefields. In addition, the municipality has cross-boundary linkages with Lesotho and the Free State (e.g. through the Maloti Drakensberg Transfrontier Project); Amajuba and Umzinyathi Districts (e.g. Battlefields); and the midlands (including the Midlands Meander).

### Investment in Tourism in uThukela

The uThukela tourism strategy indicates that no baseline data could be obtained on the current status of tourism investment in the municipality. It was indicated that a budget of R500 000 was assigned to the implementation of tourism projects but no further details were provided.

The following priority tourism projects are identified in the uThukela tourism strategy for future investment and have relevance to the LED Strategy:

- Establishment of an uThukela tourism route;
- Expansion and consolidation of Weenen Game Reserve and potential to establish it as a Big Five reserve;
- Restore Umsuluzi Game Reserve near Colenso;
- Upgrade the rock art centres in Okhahlamba and develop environmental interpretation centres;
- Cableway in the Drakensberg;
- Develop township and rural tourism projects;
- Develop a themed heritage and cultural route along the R74;
- Develop a new conference venue in the district;
- Reconstruction of Royal Natal Hotel;
- Develop a themed tourism information node/hub and district craft hub along the N3 and N11; and
- Establish a hospitality and tourism training centre in the district.

### Challenges Facing Tourism in uThukela

The uThukela tourism strategy provides the following summary of challenges facing the district from a tourism perspective (**Figure 3.17**) and these are generally in line with our research and key stakeholder interviews conducted on the district:

Figure 3.17 Tourism challenges facing uThukela

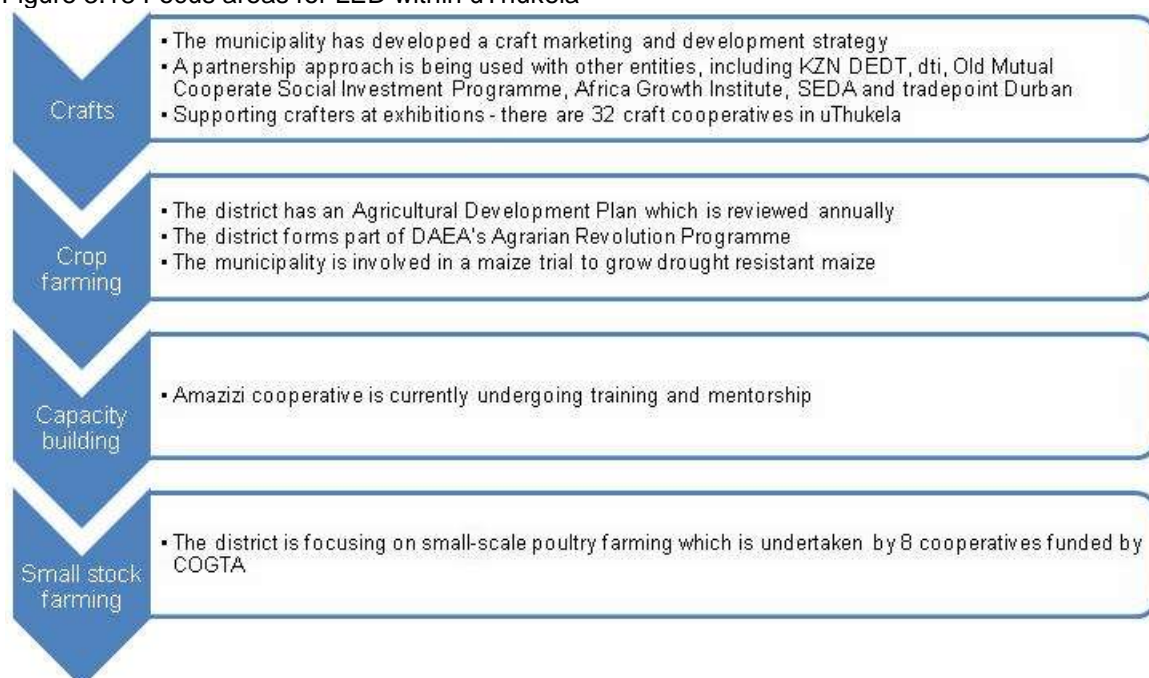
<b>General decline in visitor numbers</b>
Poor, uncoordinated marketing and advertising, inadequate distribution and inadequate knowledge management
Lack of standards and grading
Poor infrastructure and signage
lack of district wide branding
Weak institutional , communication and organisational structures and lack of by-laws
Limited community tourism awareness and involvement
Lack of market research and development
Crime, lack of tour operators, local SMME development and transformation
Limited product development
Lack of integration and communication with key organisations and surrounding districts
Lack of community based initiatives and limited linkages with rural areas and communities
Limited range of facilities and activities
Environmental impact of new developments

Source: uThukela Tourism Strategy

### 3.5 Planned and Intended Economic Investments

The district's 2012/13 IDP prioritises LED as a means of reducing poverty in the region and emphasises the need for developing the rural economy. Four sectors are identified as focus areas for LED as follows (Figure 3.18):

Figure 3.18 Focus areas for LED within uThukela



Source: uThukela IDP, 2012-2013

Although the municipality has plans in respect of LED, the LED and tourism programmes were not assigned any budget in the current IDP due to financial constraints. The IDP indicates that the district will aim to secure funding for such programmes from elsewhere. The total budget to be sought for both LED and tourism in the next three financial years is R2.2 million.

### **3.6 Institutional Framework**

#### **3.6.1 Functions and Powers of Municipalities in Respect of LED**

According to the Constitution, municipalities must play a role in LED but the schedule stipulating the functions and powers of municipalities does not include LED. This therefore leads to the scenario where LED has become an ‘unfunded’ mandate to some extent. The legislation governing the activities of municipalities, i.e. the Municipal Systems Act 32 of 2000 and Municipal Structures Act 117 of 1998, does not provide much more clarity in this regard and does not explicitly state that LED is a function of municipalities. The legislation is also unclear on the distinctive roles between district and local municipalities.

According to the legislation, the functions and powers of district municipalities include: •

Integrated development planning for the district and a framework for IDPs for the local municipalities;

- Bulk supply of water and electricity, and bulk sewage purification and main sewage disposal that affects a significant proportion of municipalities in the district;
- Solid waste disposal sites serving the district as a whole;
- Municipal roads which form an integral part of a road transport system;
- Regulation of passenger transport services;
- Municipal airports serving the district municipality as a whole;
- Municipal health services serving the district municipality as a whole;
- Fire fighting services serving the district municipality as a whole;
- Establishment, conduct and control of fresh produce markets, abattoirs, cemeteries and crematoria;
- Promotion of local tourism for the area of the district municipality;
- Municipal public works;
- Receipt and allocation of grants made to the district municipality; and
- Imposition and collection of taxes, levies and duties.

A local municipality has the powers and functions assigned to it in terms of sections 156 and 229 of the Constitution, excluding those functions and powers vested in the district municipality. However, a local municipality is not prevented from performing functions in its area that are similar to those of the district municipality.

#### **3.6.2 District Structures and LED**

At a district level, uThukela is considering the establishment of a dedicated LED agency which will be responsible for promoting and facilitating LED within the municipality. The municipality has undertaken a visit to Enterprise Ilembe which is considered to be a successful and effective development agency within the province. Further planning for the development agency is to be undertaken should the LED Strategy determine that this is a route that the district should follow in terms of its institutional structure.

The district currently has a number of forums to discuss LED-related issues. The uThukela District LED forum was established in early 2012 and comprises municipal officials, private sector

companies, NGOs and LED stakeholders to discuss LED issues. The forum is currently involved in the development of the LED Strategy for the district.

The district has an informal economy chamber committee which meets on a quarterly basis to discuss issues relating to the informal sector. The committee last met in July 2012 and has previously discussed issues with regards to by-laws; working relationships with municipalities; funding constraints; and policy alignment.

The uThukela District tourism forum was established in 2009 and comprises representatives of the municipalities, private sector and KZN DEDT. The committee is chaired by the chairperson of the Tourism portfolio committee. The forum's role is to align the district's tourism plans and activities with the province's and to inform the budgetary process for tourism in the district. It is stated in the 2012 tourism strategy that the tourism forum has not met in a very long time and therefore it is not considered functional at the present moment. There are a number of active tourism organisations and association within the district as identified in the tourism strategy (**Figure 3.19**).

**Figure 3.19** Tourism organisations in uThukela District

ORGANISATION TYPE	NAME OF ORGANISATION
<b>Tourism Associations:</b>	Ladysmith Tourism Association
	Bushmen's River Tourism Association
	Okhahlamba Drakensburg Tourism Association
	Battlefields Route Association
	N3 Gateway Tourism Association:
	Open Africa
	Maloti Drakensberg Tourism Association
	Van Reenens Tourism
	Okhahlamba Development Agency
<b>Tour Guide Associations:</b>	Battlefield Tour guides Association
	Drakensburg Adventures
	Canopy Tours
<b>Nature Conservation Bodies: (Archaeology)</b>	Ezemvelo KZN Wildlife
	Bergwatch
	WESSA
	Maloti Drakensberg Trans frontier Park
	SA Birdlife
	Amafa KwaZulu-Natal
	Drakensberg Bufferzone Technical Committee
	<b>Heritage Committee</b>

*Source: uThukela District Tourism Strategy, 2012*

A municipal Growth and Development Summit was held in 2007 and a number of resolutions were reached on how to achieve growth in the district (**Figure 3.20** over the page). The municipality is planning on holding another summit sometime in the future where the previous resolutions will be reviewed and new ones will be identified. In general, most of the resolutions have been addressed to some extent but the real changes made to LED in terms of the resolutions has not been measured.



Figure 3.20 Resolutions made at the 2007 Growth &amp; Development Summit for uThukela

UTHUKELA DISTRICT MUNICIPALITY			
OPPORTUNITY	CONSTRAINTS	PROPOSED INTERVENTION	Report Back
BBBEE	No readymade BBBEE partners available in the District	Establishment of a warehouse/register of black partners. Forming Section 21 Company to access funds to form BEE partnerships.	No Progress
Agricultural land	No value add interventions such as processing	Development or Review of an LED Plan identifying value add interventions	The LED Plan was developed and incorporated on the 2008/ 09 IDP. During the 2007/ 08 Financial Year, UThukela also undertook a study on the Operationalization of LED plans across the District. The study was completed with business plans that were packaged for sourcing funds for improving Agricultural output in areas with potential within UThukela. LM were involved in the process. Currently the DM is in the process of updating the LED plan using the funding from DED.
	High levels of poverty	Inception of a district wide Poverty alleviation plan	The district is involved in a lot of flagship projects and is also involved on war on poverty to reduce the high level of poverty which is 58%
	Lack of information	Proposal for a news Bulletin mainly focusing on Economic Development	UThukela is utilising the newsletter that comes on quarterly basis. They also approached a local newspaper (Herald) for the publication of LED issues.
Diversity of Institutions	Lack of engagement and seeing things beyond political and Sector differences. Political Fragmentation of municipalities	Establishment of uThukela Growth Coalition. Operational IGR Forum	IGR exists and is fully functional and all local municipalities have signed the protocol agreement.
There are unexploited assets in the large dams, the undeveloped areas in the mountains, rivers and other natural environments	Limited Tourism Activity	Develop Comprehensive Tourism marketing plan	The service provider has been appointed to undertake the development of the Tourism Marketing Strategy and Investment Plan for UThukela District.

Source: uThukela IDP

### District LED Maturity Assessment Study

In August 2012, a provincial-wide study was completed by COGTA and CRMA on LED maturity within 14 municipalities in KZN. The report is based on:

- A contextual self-assessment by one municipal representative;
- An LED maturity interview assessment of the institutional insight and strategy to LED and the ability to execute LED initiatives; and
- A business perception survey with formal and informal businesses.

For uThukela Municipality, the following key findings emerged from the study (**Figure 3.21**):

**Figure 3.21 Key findings of the LED maturity assessment for uThukela**

Existing LED structures	Institutional challenges	Informal sector perceptions
<ul style="list-style-type: none"> <li>• The municipality has monthly meetings between the LED unit &amp; portfolio committee</li> <li>• A steering committee is available but it acts in an advisory role rather than being a decision-making body</li> <li>• Formalised governance process currently exists</li> <li>• LED forum is used to provide feedback to stakeholders but the forum does not meet regularly - engagement with key stakeholders is done on an ad hoc basis</li> </ul>	<ul style="list-style-type: none"> <li>• The LED unit had 1 employee &amp; 4 vacant posts at the time of the study</li> <li>• LED is located in the Planning Department</li> <li>• Highest qualification within the LED unit is a certificate</li> <li>• No LED projects &amp; programmes, although R2 million in funding was identified as being available for LED as a municipal budget (through provincial funding)</li> <li>• uThukela's LED budget compared to other municipalities in KZN is low</li> <li>• Municipality does not have a clear strategic plan for LED</li> <li>• uThukela performed significantly below average compared to other municipalities when it comes to key performance areas in respect of LED</li> <li>• No systems in place to monitor LED</li> <li>• Lack of sustainable approach to economic development</li> <li>• Lack of understanding of LED within the municipality</li> <li>• Low insight into economic sectors in the municipality</li> </ul>	<ul style="list-style-type: none"> <li>• Only 1 formal sector business responded to the survey so no results are contained in the report</li> <li>• The informal survey results are based on 49 respondents</li> <li>• 43% of the respondents are in sales, and 22% are in catering</li> <li>• 39% have been operating their business for more than 5 years</li> <li>• 84% of respondents operate their business in town</li> <li>• 84% of their customers are local people, followed by drivers and then business people</li> <li>• Stock is generally kept at home overnight</li> <li>• 82% of respondents consider cost to be the main factor preventing them from entering the formal sector, lack of information is also a challenge</li> <li>• 20% of respondents belong to a business association - 63% of respondents are very unhappy about the support provided by the association</li> <li>• 37% of respondents are very positive about the future of their business (only 4% are very negative)</li> </ul>

*Source: LED Maturity Assessment Study, 2012*

It is evident from the LED assessment that the municipality currently faces many challenges in terms of LED. The most significant of these are the lack of human and financial capacity to adequately undertake LED functions and actively engage in projects and programmes to facilitate LED on a regional basis.



### 3.6.3 Stakeholder Groupings within uThukela

Table 3.10 provides a summary of the key stakeholder groupings identified during the research phase of the study.

Table 3.10 Key stakeholder groupings within uThukela

Name of role player	Government			Private		
	National	Provincial	Local	National	Provincial	Local
uThukela District Municipality			X			
Emnambithi/Ladysmith Municipality			X			
Umtshezi Municipality			X			
Imbabazane Municipality			X			
Indaka Municipality			X			
Okhahlamba Municipality			X			
Trade & Investment KZN		X				
KZN Growth Fund		X				
Tourism KZN		X				
KZN DEDT		X				
KZN DEAE		X				
KZN DAC		X				
dti	X					
Ladysmith Chamber						X
Emnambithi Chamber						X
Umtshezi Chamber						X
Ezemvelo KZN Wildlife		X				
KZN Dept of Rural Development & Land Reform		X				
KZN Dept of Transport		X				
KZN COGTA		X				
KZN Dept of Sports & Recreation		X				
KZN Dept of Health						
KZN Dept of Social Development						
Department of Public Works	X					
Department of Water Affairs	X	X				
The dti	X					
Ingonyama Trust		X				
Amafa		X				
Midlands Economic Development Agency			X			
Agribusiness Development Agency		X				
Private sector, e.g. businesses, farmers				X	X	X
Other DFIs, e.g. IDC, DBSA, Ithala	X	X				
NGOs/CBOs/NPOs				X	X	X
Farmers associations						X
KZN Agricultural Union (Kwanalu)					X	
SEDA						
Co-operatives (agricultural, craft etc.)						X
Amakhosi						X

Source: Grant Thornton analysis

### 3.7 Amakhosi

The Amakhosi, representing the traditional leaders are also important role players within the municipality. The following issues of relevance to have been identified by the Amakhosi for the district:

- Involvement and Communication

- There is a lack of communication, as the municipality does not involve Amakhosi in projects.
  - Amakhosi must be represented in the municipalities' executive committees.
- Ingonyama Trust
  - It was suggested that Trust should charge rentals on land.
  - The Trust takes too long to make decisions on leases which discourages potential investors.
- Projects
  - There is a need to undertake detailed studies of economic activities so that LED projects can be identified.
  - Suggestions for IDP projects made by Amakhosi are not included in the IDPs.
  - The Amakhosi is not involved in managing funds given to projects and this limits their ability to monitor if the funds are misspent.
  - There is a lack of communication and consultation between Amakhosi, the municipality and councillors, in particular with regard to upcoming/planned projects.
- Cooperatives
  - Co-operatives should be trained on how to write business plans and secure external funding for their projects.
  - The major reason for failure of community projects is that co-operatives are not accountable to the Amakhosi.

The following issues were identified for ELM:

- Challenges for traditional farmers include the lack of trade in produce, for example chickens are bred for subsistence use and are not sold. Another example is an arts and culture project where the co-operative was manufacturing leather and clothes. Members of the co-operative produced products for their personal use only and no revenue was made. Crop farming is hamstrung by a lack of funding to control weeds. The municipality could assist them by providing chemicals to control weeds. There is a need for the municipality to monitor those projects that it funds.
- Some companies that are illegally removing sand from the area with no compensation for the local communities. The municipality must ensure that companies pay the community for the removal of their sand.

The following issues were identified for Indaka:

- The area has a history of cannibalism (related to a cave) and this could be used to create a tourism attraction.
- A major challenge for agriculture is lack of fencing and this impacts on security and the destruction of crops by livestock. The community has indicated that they do not have the funding for fencing or for other the acquisition of tractors and other farm equipment.
- The area has an abundance of sand that could be used in brick making. The community has requested the municipality to assist with this activity. In addition, they would also like to supply low-cost housing projects with doors and window frames.
- Access to water is a problem in the area and the construction of a dam was proposed.
- The community has a cattle farming co-operative called Siyaphambili. The co-operative is doing very well and is now planning to branch into farming dairy cows. The community would like to use artificial insemination techniques but the challenge is that they do not have a fenced off area where they can keep the cows separate from the bulls. Another challenge with cattle farming is

that the community does not have the funding to properly feed their cattle and this results in them having lower weights when they are sold at markets.

- Masibambisane Co-operative is active in the area and it is doing very well and has been awarded a R1 million grant by the district.
- Assistance was requested with the monitoring of a goat-farming project in the area.
- An unfinished soccer stadium, owned by the municipality, is being used for vegetable farming and is progressing well.
- There is a request that the continuation of district budgets for the agricultural project being undertaken with Lima, as this is successful.
- The municipality should continue with small projects, such as cleaning road sides, cutting grass, etc., as these projects create employment in local areas.
- Government should not restrict farmers on the number of hectares they can use to plant their crops.
- Farming grants/assistance must be given to competent farmers who have the skills and experience to make a success of farming. Many farmers do not farm to full potential/capacity because they do not have the necessary expertise in farming. The Amakhosi should be involved in identifying who should be funded for farming projects.

The following issues were identified for Okhahlamba:

- Maize and beans are produce in abundance; however, the main challenge is not having a market to sell the produce. The municipality has been requested to establish a market where the produce can be sold.
- There is no co-operation between the municipality and Amakhosi.
- Co-operatives do not have constitutions to guide the activities of their members
- The municipality must encourage communities to start co-operatives and fund these.
- The Amakhosi must be involved in all community projects.

### **3.8 Synthesis and Implications**

The following section provides an overview of the key economic facts about the municipality and some implications for the strategy going forward.

- The district's contribution to KZN in terms of GVA was 5% in 2011, up from 5% in 2001. This indicates that the municipality's economy has remained fairly stable over the past 10 years.
  - The main source of growth within the district has been Okhahlamba Municipality, which grew from 16% in 2001 to 23% in 2011 in terms of its contribution to the district economy. •
- Manufacturing is the dominant sector in the economy in terms of GVA, followed by wholesale and retail trade, catering and accommodation, and then finance, insurance, real estate and business services.
- Manufacturing is dominated by the food, beverages and tobacco sub-sector, followed by petroleum products, chemicals, rubber and plastic.
  - The main source of employment in the district is wholesale and retail trade, catering and accommodation (tertiary sector), followed by general government, and then community, social and personal services.
  - Manufacturing is the fourth largest employer in the district.
  - The highest growth in GVA for 2001 to 2011 was in construction at 11% per annum, followed by finance, insurance, real estate and business services.

- In terms of employment growth, the highest annual growth between 2001 and 2011 has been in transport, storage and communication; finance, insurance, real estate and business services; and general government, all at 5% per annum for the period 2001-2011.
- Mining and quarrying declined at 2% per annum between 2001 and 2011 whilst all the other sectors had positive growth in GVA.
- Agriculture experienced negative growth in employment between 2001 and 2011 of -5% per annum. There was also negative growth of -2% per annum in manufacturing, and -1% in electricity, gas and water.

For the implications, refer to the SWOT analysis which provides an overall view of the challenges facing the district.

## 4. SWOT Analysis

### 4.1 Introduction

The following section provides our assessment of the overall Strengths, Weaknesses, Opportunities and Threats (“**SWOT**”) pertaining to the district. The SWOT analysis has informed the strategy development process.

### 4.2 Strengths

#### Place

- uThukela District is strategically located along the N3 development corridor linking Gauteng with Durban and its export harbour. The district has a number of strategically located towns along this corridor such as Ladysmith and Estcourt. Ladysmith is also located close to the junction of the N3 and the N11, another important development corridor with the Witwatersrand.
- Imbabazane and Okhahlamba Municipalities are both located at the foothills of the uKhahlamba-Drakensberg World Heritage Site which has significant tourism value.
- ELM and Umtshezi have a number of sites that are significant from a heritage, cultural and environmental perspective and these include the Battlefields, Weenen and Wagendrift.
- Areas of relatively and moderately good agricultural land are found in Umtshezi Municipality (approximately 41% of the municipality).

#### People

- The analysis shows that the ELM’s performance in terms of the development indicators is consistently one of the highest.
- ELM’s unemployment levels have remained below the average for the entire district over the past 10 years.
- Umtshezi Municipality’s development indicators are the best performers in most of the categories compared to other municipalities in the district.

#### Economy

- The district has a strong manufacturing base with the majority of manufacturing companies being based in Ladysmith. Manufacturing contributed around 21% to total the district GVA. • uThukela has well established industrial areas accommodating firms that produces international and global brands.
- Key industrial areas located in the Ladysmith area (Nambiti, Danskraal and Ezakheni Industrial Estate) accommodate major companies including Apollo Tyres and Defy Appliances. • Umtshezi Municipality has a strong manufacturing base with large companies such as Nestle and Sasko being located in Estcourt.

- The significance index for agriculture has increased 2001 and 2011, growing at an average of 11% per annum between 2001 and 2011 within ELM. The sector grew at 13% per annum in Imbabazane over the same period.
- Okhahlamba's economy has experienced the highest growth rate in GVA within the district over the past 10 years at 10% per annum.
- Well endowed with agricultural land (e.g. in Okhahlamba Municipality) and increasing significance index.
- Other key sectors e.g. opportunities with transport and logistics in spite of short term impact of recession on transport of goods and services.
- Diversified economy as shown by the district's stress index.

### **Institutional**

- Private and public economic institutions fairly well established (chambers, municipalities, etc) but not equitably spread. Consequently support for economic development concentrated in main towns.
- ELM has established processes to actively engage the private sector and this could be rolled out to other areas in the district.
- ELM and Umtshezi both have active business chambers which bridges the communication gap between public and private sector to some extent.

## **4.3 Weaknesses**

### **Place**

- Imbabazane is predominantly a rural municipality with no urban settlements and the majority of the population is settled on land owned by the Ingonyama Trust. Complex land tenure systems relating to the Trust hinder development and slow down processes to implement LED in these areas.
- Imbabazane has not been able to optimise tourism opportunities offered in terms of its proximity to the uKhahlamba-Drakensberg World Heritage Site. A lack of tourism facilities and infrastructure further compounds the challenge.
- The range of crops that can be grown in Imbabazane and Okhahlamba is limited by environmental factors such as rugged topography, highly erodible soils and areas prone to frost.
- Indaka and Imbabazane have no economic base and is dependent on Ladysmith and Estcourt respectively for almost all of their commercial, retail, administrative and employment needs. • Land in Indaka is predominantly owned by the Ingonyama Trust which presents challenges in terms of land ownership and use rights
- From a cropping perspective, Indaka has a poor soil potential this limiting economic opportunities in this regard.
- Basic infrastructure relating to utility services and tourism is inadequate and this impacts indirectly on economic activity in certain parts of the district.
- Unstable water and electricity supply is a major weakness within ELM and threatens business retention and expansion opportunities in the area.

### **People**

- The district's youth population is below the average for the province which means that less than half of the population is available for the labour force.
- The district's dependency ratio is far above the average for the province which results in further pressure on the labour force to support the youth and aged.
- ELM's HIV prevalence is one of the highest in the district which increases pressure in terms of social welfare and impacts on the ability of labour to seek or retain employment.

- Imbabazane faces significant social challenges such as high dependency ratios compared to the district average, major infrastructure backlogs and basic services within the district. Indaka Municipality has a comparative high dependency ratio and very low levels of access to basic services. Okhahlamba Municipality also faces serious challenges in terms of income levels, access to basic services and education.
- Imbabazane and Indaka both have high unemployment levels compared to the district average.
- From an education point of view, about one third of Imbabazane's population has not gone beyond primary school education.
- Indaka Municipality has seen high migration levels of its population due to people seeking employment and opportunities elsewhere.
- Tourism stakeholders in Okhahlamba indicate that there is a lack of support skills in the tourism industry, e.g. general maintenance skills.

### **Economy**

- Formal employment has been declining, while number of people employed in the informal (mainly part time and subsistence) in all municipalities across the district has been increasing over time.
- The dominance of manufacturing in the district has been declining over time. Employment in manufacturing has also been decreasing over time.
- Employment in agriculture has decreased over time in spite of increases in GVA contribution.
- The main challenges facing emerging and communal farmers include high levels of stock theft and the quality of stock (poor when compared to commercial farming stock). Land reform presents its own challenge with examples of failed projects existing in the district.
- Agricultural land in Imbabazane is mainly utilised for subsistence purposes. This translates into little economic contribution to the sector from large tracts of land. Likewise, subsistence farming dominates in Indaka and Okhahlamba.
- Indaka and Imbabazane both have relatively low levels of economic activity.

### **Institutional**

- All of the municipalities have a number of LED strategies, SDFs, studies and plans that include various LED initiatives but implementation remains a challenge due to funding and capacity constraints. This is true for all the municipalities apart from ELM to some extent.
- Communication and partnerships between the public and private sector could be dramatically improved. In ELM and Umtshezi there are active business chambers but in general, communication occurs on an ad hoc basis. There exists a sense of mistrust between government and businesses based on interviews conducted.
- A common complaint from private sector is the slow rate of decision making by municipalities.
- None of the municipalities, apart from ELM, have adequate human resources assigned to LED. The number of vacant posts within the municipalities' LED structures remains a concern.
- The district LED Forum is not fully functional or effective.

## **4.4 Opportunities**

### **Place**

- The location of the district along the N3 development corridor and its recognition of its strategic role nationally, enable uThukela to actively pursue initiatives that could optimise this opportunity.
- The opportunities offered by the unique natural, cultural and historical assets of the district holds the potential to further develop the district's economy, in particular less developed municipalities along the Drakensberg.



- The district has large tracts of agricultural land with significant potential could be farmed more effectively while the potential exist to increase agro-processing activities in the district.

### **People**

- uThukela has a significant part of its labour force that is well educated and skilled have strong cultural and historical commitments to the area.
- The area has a large labour pool with increasing tendency for urbanisation.
- The location of the district along the N3, offers the opportunity to attract firms and skilled labour active in both the Gauteng and Durban markets.
- The unique historical and cultural features of the local population are important factors that support the tourism base of the district.

### **Economy**

- The transport, storage and communication sector is seen as a growth sector in the district. There is potential for Ladysmith and Estcourt to become regional transport and storage hubs.
- There is a need to provide improved recreational, medical, housing and schooling facilities in the district.
- Specific interventions are needed to stimulate economic growth in major towns such as Ladysmith and Estcourt, given their importance in the district. This may include interventions to facilitate the expansion of manufacturing activity by addressing bulk service needs and providing incentives.
- There could be potential to develop retail facilities in Imbabazane specifically targeted at the local population and their needs.
- The tourism sector in Imbabazane could be improved through appropriate product development and strengthening links to the Maloti Drakensberg Transfrontier Project. Likewise, tourism in Okhahlamba could be improved. Woodstock Dam presents an opportunity in this regard, e.g. proposed cable car development.
- Existing nodes in Imbabazane could be further developed to become more commercialised, e.g. Ntabamhlophe.
- Bergville and Winterton are important towns for passing trade and tourists and these could both be improved through beautification projects.
- A number of tourism opportunities have been identified in the district's tourism strategy and the most significant of these include expanding Weenen Game Reserve to a Big Five reserve; reconstruction of Royal Natal Hotel; and the development of tourism routes.
- There is opportunity for further growth in the agricultural sector, particularly in ELM, Imbabazane and Okhahlamba.

### **Institutional**

- To formulate a unified vision amongst public, private and community role players, course of action and dedicate adequate resources to growth the economy in an inclusive manner.
- The district has indicated that the need to establish an economic development agency may exist. This proposal could have merit but requires careful consideration.
- Given the funding and capacity constraints faced within the district, the need to explore public-private partnership opportunities exists. There seems to be a willingness on the part of private sector to partner with government but this requires commitment from government and a willingness to make decisions quickly and shorten bureaucratic processes.

- There is a major need for adequate funding to be assigned to strategy implementation and providing municipalities with the necessary human resources to implement economic development initiatives.
- An institutional structure needs to be established to facilitate better communication and co-operation between government stakeholders and also with private sector.

#### **4.5 Threats**

##### **Place**

- Unsustainable development practices (in particular out of town commercial and retail activities) may threaten the rich natural resources that currently form the basis of the local economy, e.g. reduced water resources for industry, reduced quality of tourism resources etc.
- Development along the N3 corridor and contained within the road reserves, could have negative impact on businesses located in the CBDs of local towns.

##### **People**

- HIV prevalence will continue to put pressure on labour force availability and productivity, as well as social services provided by government.
- A major challenge to commercialising cattle farming is to shift the cultural value placed on cattle by the local people to them being viewed as having an economic value. This is a 'people' and 'economy' issue.
- If employment opportunities and skill development opportunities are not created for the majority of the local population, the social challenges facing the district may result in further marginalisation, increased levels of poverty and social instability.

##### **Economy**

- The manufacturing sector is largest within the district and this has been declining over time. Continued decline in this sector will threaten the economy sustainability of the local economy and cause further job losses.
- Agriculture is an important sector within the district economy, especially in Imbabazane and Okhahlamba Municipalities but the threat exists that this sector will continue to shed jobs as a result of the economic recession and increases in the use of technology instead of local labour.
- A number of land reform projects within the district have been unsuccessful and this poses a threat to future agricultural production in the region.
- The poor global economy will remain a threat to the local economy for as long as these conditions exist. This poses a threat to the district's export markets and future sustainability of the key economic sectors of the district.
- Competition from international markets and specifically cheap imports poses a threat to local producers. This will be further exacerbated if local government does not relook at its policies on local procurement.
- Industrial development elsewhere in KZN is a threat for the foreseeable future. This could translate into increased competition for businesses to be retained in uThukela and/or to attract new businesses to the district.
- The current lack of business incentives poses a threat to attracting and retaining businesses in the district.
- Some of the major corporations/businesses located in the district have indicated that they may consider relocating outside of the region should their needs not be addressed. This poses a major threat to the sustainability of the local economy and employment.

- High tariffs, especially in terms of electricity, will increase operating costs going forward and therefore may necessitate job shedding to save on the relatively high labour costs that local businesses face.
- Inadequate dialogue and lack of consensus between labour, unions and owners/managers pose a threat to the future of businesses and employment opportunities in the district, from both from a productivity and cost perspective.
- Political instability poses a risk to potential investors who may choose to either disinvest or invest elsewhere.

### **Institutional**

- Disjointed planning and course of action and inadequate cooperation between key public, private and community role players in the economy.
- The continued lack of funding and human resources to build the foundation for sound economic growth and restructuring will threaten the ability to impact positively on development within the municipalities.
- The continued lack of communication and partnerships between government and local businesses may result in businesses being forced to leave the region and/or economic decline.

## 5. uThukela Local Economic Development Strategy

### 5.1 Vision and Overriding Goals

The uThukela IDP (2012/13) provides the following long-term vision for the Municipality:

**“A stable, sustainable and prosperous district with caring leaders who serve with excellence in governance, service delivery and economic development”.**

The Provincial Spatial Economic Development Strategy (“**PSEDS**”) (2007) focuses on two key guidelines of relevance for the economic development strategy for ELM:

- All communities should be provided with at least a basic level of service.
- Areas targeted for economic growth and development should be provided with appropriate levels of infrastructure to attract investment interest.

To achieve its goals, the PSEDS is based on four founding principles:

- Sustained and inclusive economic growth is a prerequisite for alleviation of poverty and unemployment.
- In areas of high potential, invest in productive infrastructure.
- In areas of high need, invest in redistributive infrastructure (basic and free basic services).
- The focus should be on areas of high need and potential, development is to be channelled into activity corridors and nodes.

The Provincial Spatial Development Framework (“**PSDF**”) key guidelines and goals are critical informants for the formulation of the ELM LED Strategy.

The following vision is proposed for the uThukela district and it is proposed that all of the municipalities adopt the same vision for their LED Strategy:

**“The development of a local economy characterised by sustained economic growth, a diversity of sectors and the development of firms, which is inclusive of all local residents through job creation, skill development and training, and poverty reduction, in both urban and rural areas”**

The following strategies are proposed to realise the above uThukela vision:

- Manufacturing Development Strategies;
- Business Development Strategies;
- Agriculture and Rural Development Strategies;
- Tourism Development Strategies;
- Spatial Restructuring and Infrastructure Development Strategies;
- Training and Skill Development Strategies; and
- Poverty Reduction Strategies.

The formulation of the LED Strategy was informed by a number of economic development proposals included in the reports listed in **Section 1.4** and the sub-sector visions, goals and pertinent interventions have been included within in this report. **Figure 5.1** shows the strategies to realise the vision as well as other related strategies that do not form part of the LED Strategy, but are are critical. These include improving living conditions and supporting the development of more skilled and capable human capital.

Figure 5.1 LED Strategies to realise the Vision



## 5.2 Manufacturing Development Strategies

The following vision and goals for the Manufacturing Sector were derived from the Emnambithi/Ladysmith Manufacturing Sector Strategy (2010) and it is proposed that this be adopted for the district and be extended to other municipalities with significant manufacturing capacity, for example uMtshezi:

**“To enable those areas with manufacturing potential to become regional manufacturing hubs that promote, facilitate and foster industrial development, encourage vertical and horizontal integration, create a diverse and sustainable manufacturing sector, and are responsive to domestic and international demand and supply trends”**

Similarly, the following goals and objectives are proposed for manufacturing for the district:

- Creating an environment that is conducive to industrial development;
- The retention and expansion of existing industries;
- Encouraging growth and diversification in the manufacturing sector;
- Promoting SMME involvement in the manufacturing sector supply chain;
- Promoting skills development and training in industrial techniques.
- The promotion and facilitation of new investment (including SMME's as supporting industries);
- The development and maintenance of infrastructure and services in manufacturing areas;
- Public-private sector coordination and communication.

The manufacturing areas in uThukela include the following:

- Ezakheni Industrial Estate, Danskraal Manufacturing area and Colenso Industrial area (Emnambithi/Ladysmith);
- Estcourt Industrial Area (uMtshezi); and
- Other areas identified for industrial development include Bergville (Okhahlamba) Ntabamhlophe and eMangweni (Imbabazane) as well as areas within uMtshezi.

Some of the manufacturing interventions identified for specific municipalities include the following:

- Emnambithi/Ladysmith
  - Encourage Aloe and Berg Tea production
  - Investigate the refurbishment of 11 Cemetery Road (mini- factory with light industrial & service industry)
  - Support medicinal plant production.
  - Investigate the development of a wholesale clothing trading facility.
- Okhahlamba
  - Market and promote Bergville in particular to attract agri-and food processing industries
  - Examples of potential manufacturing related activities: processing of agricultural products, particularly dairy, maize milling and wood products.
- uMtshezi
  - Further investment as food processing centre, given the presents of a number of well know local and international brands e.g. processing of agricultural products, particularly dairy, maize milling and wood products.
- Imbabazane
  - Identify land suitable for manufacturing development, preferably within Ntabamhlophe and eMangweni and undertake a pre-feasibility study

Interventions that are relevant for all manufacturing areas in the district include the following:

- Business retention and expansion (“**BR&E**”) of existing industries through:
  - Implementing an industrial BR&E programme in partnership with the local business chambers and TIKZN.
  - Develop and introduce a manufacturing incentive scheme.
  - Revising industrial property rates.
- Promotion and facilitation of new investment through:
  - Incentivise and attract agro-processing and renewable energy manufacturers.
  - Establish Local Industrial Parks (manufacturing hives) for emerging and small-scale manufacturers.
- Diversification of manufacturing sector through:

- Marketing and promoting manufacturing in uThukela.
- Promoting the use of local SMMEs in the industrial supply chain.
- Target industries which are export-orientated.
- Marketing and promoting industry clusters.
- Development and maintenance of infrastructure and services through:
  - Detailed service infrastructure assessment of all industrial areas.
  - Investigate potential water sources and initiate a water security plan.
  - Revise electricity tariff increases imposed on the sector.
  - Install the required infrastructure and services relating to existing and planned industrial areas.
- Public-private sector coordination and communication through:
  - Introducing a quarterly Industrial Development Forum to engage directly with industry and the Chamber.
  - Make use of the Chamber to communicate public sector plans with industry.
- Skills development and training through:
  - Developing an internship programme for industry (can be linked to the incentive scheme).
  - Use of the proposed manufacturing hives for industry specific skill development and training that involves the manufacturing SETA.
  - Encouraging industries to undertake in-house skills development programmes.
  - Establishing an Innovation Centre, in conjunction with the proposed hives.

Of critical importance is to address the major concerns of manufacturing firms, in particular in existing industrial areas, is to ensure that businesses are retained in the district and that expansion opportunities are considered by these businesses.

### 5.3 Business Development Strategies

The following vision is proposed for business development in uThukela district as a whole:

**“A developed and expanded business sector comprising of the full spectrum of large, medium, small, micro and informal businesses”**

Business development strategies relevant to specific areas include the following:

- Emnambithi/Ladysmith
  - Incentivise and attract BP&O businesses (call centres).
  - Business networking through Ladysmith Chamber of Commerce.
- Okhahlamba
  - Development of fresh produce market within the CBD of Bergville.
- Indaka
  - Incentivise refurbishment/redevelopment of existing and new retail facilities in Ekuvukeni and Mhlumayo.
  - Facilitate the establishment of rural trading centres in Ekuvukeni, Limehill and other nodes.

Strategies of relevance to all businesses in uThukela include the following:

- Place Marketing and Incentives
  - Developing a comprehensive place marketing and incentive programme to entice local and foreign businesses to locate in the district.
  - Product innovation and expansion of the business market.



- Formulating an investment incentives programme.
- Marketing of local businesses.
- Incentivise and attract businesses contributing to the ‘green economy’.
- Encourage the establishment of research and development businesses in particular relating to the agri-processing industry.
- Develop a 'Brownfields Revitalisation Programme' to restore unused industrial and commercial facilities into new opportunities.
- SMME Development and Support
  - Undertake a needs assessment of SMMEs and formulate a programme dealing with mentorship, skills development and training.
  - Establishing a business support centre, providing entrepreneurial advice, training, networking and other related services.
- Retail Development
  - Incentivise refurbishment/redevelopment of existing shopping centres in particular in the CBDs
  - Facilitate access to wholesale and retail suppliers and manufacturers in particular for small retail operators.
- Informal Business Support
  - Investigate the expansion of flea markets within the area.
  - Determine the business support needs of informal traders and formulate an appropriate strategy.
  - Provide adequate trading space and trading stalls for traders at the taxi ranks.
  - Set up forums for informal traders.
  - Development of fresh produce markets within the CBDs.
  - Assist with establishing co-operatives to support small traders.
- Business Networking
  - Facilitate business networking, including through the local chambers of commerce.
  - Develop a database of local service providers within the district.

#### **5.4 Agriculture and Rural Development Strategies**

The situational analysis indicated that areas of good agricultural land can be found throughout the uThukela district. The following vision is proposed to guide the agricultural and rural development strategies in the district and it is proposed that this be extended across the region:

**“The development of the full spectrum of agricultural and rural development economic activities that enables emerging, small, large and commercial entrepreneurs and businesses to grow and expand their operations, enabled through a web of business transactions and agreements”**

The following strategies are recommended for the development of rural areas as well as support for traditional/subsistence, small-scale and commercial farming practices in the district as a whole.

- Rural Development and Poverty Reduction Strategies;
  - The development of utility service infrastructure (water and power supply, sewerage removal, etc.).
  - The development of water storage facilities, irrigation infrastructure and animal dipping facilities.

- Improvement of rural roads critical for the delivery of agricultural inputs (e.g. fertilisers, feeds, fuels etc and building materials) and for the distribution of produce and products (e.g. livestock, crops, vegetables etc.).
- Empowering the youth and unemployed to become entrepreneurs through skills development and training.
- Facilitate the fast track of the land reform process and promote the effective development and mentoring of beneficiaries.
- Encourage private sector investments in the rural areas.
- Promote the release of Ingonyama Trust land for development in rural areas.
- Rehabilitation of schools in the rural areas to become centres of excellence.
- Ensure that education is inclusive of technical/trade skills in particular for rural dwellers, in order to increase their chances of gaining employment or starting their own businesses.
- Development of ABET centres for capacity building for elderly people in each rural ward and at least one skills development training centre for the unemployed youth in the rural areas.
- Improvement of the public transport system between rural areas and the main urban centres.
- Traditional and Subsistence Farming
  - Agrarian transformation through the establishment of agro-industries, cooperatives and establishment of local markets.
  - Improving beef farming activities of emerging and subsistence farmers.
  - Facilitate secure access to land by farm dwellers.
  - Providing support to existing co-operatives in rural areas.
- Small Scale Farming
  - Formulate a small-scale agricultural development strategy, which should include skills development, business training and capacity building.
  - Improving agricultural production and value addition through encouraging innovative practices. This could include accessing available grants (e.g. SETA) and using FET as well as better utilisation of departmental agricultural extension officers.
  - Expansion of land set aside for irrigated crops, pastures and horticultural production (in particular deciduous fruit such as peaches and apricots) and further development of the pecan nut industry.
  - Help small-scale farmers acquire more land to increase production.
  - Improve procurement processes, distribution networks and marketing of poultry and related products, in particular by small-scale farmers and co-operatives.
  - Developing branding programme for the produce originating from uThukela district.
  - Identification and fencing of grazing land.
  - Support and mentor small-scale agricultural farmers.
  - Support the establishment of fresh produce markets for small-scale farmers.
- Commercial Farming
  - Support for commercial farming in uThukela.
  - Encourage the establishment of game ranching with related tourism potential within the region.
  - Support the development of agri-tourism within the area.
  - Further develop the market for natural and indigenous products through processing, packaging, branding and marketing.
- Rural Nodes
  - Development of rural nodes in the district and ensure that these are provided with administrative, social and retail services.

The establishment of an Agricultural Consultative Forum, inclusive of all role players in the agricultural sector focussing on:

- Co-ordinating the initiatives from various stakeholders;
- Facilitating communication between relevant role players;
- Disseminating relevant information to appropriate stakeholders;
- Lobbying the involvement and support of development agencies; departments and other organisations for agricultural development; and
- Monitoring trends in agricultural and rural development.

## **5.5 Tourism Development Strategies**

uThukela District Municipality has considerable assets to develop cultural and eco-tourism opportunities. The following tourism strategies are of relevance to the district as a whole:

- Ensure route development, branding and marketing cohesion
- Encourage and ensure transformation in the tourism industry
- Ensure quality experiences and service excellence
- Maintain and upgrade transport, communications and services infrastructure to create a conducive tourism environment
- Maintain and facilitate tourism signage
- Enhance and facilitate tourism research and knowledge management
- Enhance tourism through appropriate institutional arrangements
- Promote responsible tourism
- Foster a tourism culture through tourism awareness and education

The following municipal specific tourism strategies are proposed:

- Emnambithi/Ladysmith
  - Develop niche tourism experiences around cultural/heritage, including the Battlefields and music icons such as Ladysmith Black Mambazo through the music academy
  - Develop niche tourism experiences around Colenso, e.g. adventure
  - Develop nature-based tourism experiences
  - Develop business tourism and events
- Okhahlamba
  - Develop an iconic visitor experience in the Drakensberg through the Cableway project
  - Enhance scenic routes in the area, especially in the Drakensberg
  - Develop niche tourism experiences specifically around adventure and avitourism in the Drakensberg
  - Develop niche tourism experiences around cultural/heritage and links to the Drakensberg Boys' Choir and a music academy
  - Develop medical-based tourism in the Drakensberg
  - Develop business tourism and events
  - Develop scenic, nature and adventure based tourism around Woodstock Dam
- Imbabazane
  - Appropriate product development and strengthening links to the Maloti Drakensberg Transfrontier Project.
  - Encourage recreational events (sports, art and culture, live events) in the area.
- uMtshezi

- Develop nature-based tourism experiences, e.g. through the development of a Big Five Game Reserve between Weenen and Estcourt
- Develop business tourism and events
- Encourage recreational events (sports, art & culture, live events).
- Indaka
  - Ensuring route development, branding and marketing cohesion – investigate the potential to develop and include the proposed Cannibalism Route and link to other existing tourism routes in the district

## **5.6 Spatial Restructuring and Infrastructure Development Strategies**

The geographic location and spatial development of towns and settlements have a direct impact on the potential of these centres to grow economically and inclusive of all residents. The development of all towns and settlements in uThukela has been distorted through Apartheid planning. The continued strong connection of urban dwellers with rural livelihoods, increases the challenge to create economies of scale in existing towns. Townships are essentially dormitory township of established settlements. Residents commute significant distances daily to work, retail and other opportunities to the CBDs and industrial estates.

The following spatial restructuring and infrastructure development strategies are proposed for the district. Areas such as Imbabazane and Indaka have no significant urban settlements and therefore some of these strategies are relevant here:

- CBD Improvements
  - Conserve the building and cultural heritage of towns (tourism).
  - Encourage retail and commercial developments.
  - Stimulate infill developments and densification.
  - Support mixed income housing and affordable housing opportunities.
  - Enhance environmental character and image of the town.
  - Liveable spaces, streets and spaces, focus on pedestrians.
  - Upgrade taxi rank(s).
  - Spaces for informal traders, social amenities, pedestrian pathways and parking.
  - Residential infill, e.g affordable housing in the CBD.
- Township Improvements
  - Improvement of township utility services
  - Encourage mixed land uses and housing typologies,
  - Support economic investment in the township
- Linkages between areas
  - Improve direct access between the township and the CBD.
  - Encourage physical growth in a manner that allows the township and CBD to grow towards each other.
  - Provide more opportunities for small business and informal traders.
  - Improve public transport within the CBD, to townships, to other towns and to rural areas.
- Rural Nodes
  - Provide with basic administrative, education, health, social and retail services.

Spatial restructuring and infrastructure development strategies of relevance to specific areas include the following:

- Emnambithi/Ladysmith

- Ladysmith CBD and Ezakheni Township
  - Colenso CBD and Inkanyezi Township
- Okhahlamba
  - Bergville CBD and Woodford and Bethany Townships
  - Winterton as a service centre.
  - Rural service centres: Zwelisha, Dukuza Complex, Emmaus and Geluksburg.
- uMtshezi
  - Escourt CBD and Wembezi Township
  - Weenen
  - Rural service centres : Thembalihle and Cornfields, Frere, Chively, Rensbergdrift and Nhlawe as rural nodes
- Imbabazane
  - Ntabamhlope
  - eMangweni/Loskop
  - Rural areas
- Indaka
  - Ekuvukeni as primary node
  - Limehill, Sahlumbe, Hlumayo and Ilenge as secondary centres

## 6. Implementation Framework

This chapter identifies the key actions required for the implementation and monitoring of the uThukela LED Strategy. A similar implementation framework is intentionally proposed for the district and the local municipalities for the purpose of facilitating co-operative and collaborate economic development interventions.

### 6.1 Approval of Local Economic Development Strategy and Incorporation into IDP

Once comments have been received from the local municipality, the required changes and amendments will be made and the uThukela LED Strategy will re-submitted for consideration by the economic development Portfolio Committee for approval. Thereafter, the uThukela LED Strategy will be incorporated into the Municipal Integrated Development Plan, process and budget as required by the Municipal Systems Act (Act 32 of 2000).

### 6.2 Economic Development Partnerships

The challenges and demands of economic development at local level have highlighted the importance of partnerships involving role players such as the public sector, private sector, NGO's and CBO's. The public sector, through policy and investment in infrastructure, has a significant impact on creating the context and parameters for private sector investment. The challenge is to ensure that public sector investments create the confidence for the private sector to respond, particularly through partnership opportunities. There are various possible models/approaches to organise partnerships to implement various economic development strategies, programmes and projects. The scope and complexities of economic development at a local level require that partnerships must be able to manage development processes and inter-dependent relationships over long periods of time. Key questions include the nature of partnerships as well as the role and responsibilities of various role players involved in the development process. Each of these approaches depends on the context, the challenges being addressed as well as the institutional capacity of role players. Appropriately, 'form should follow function' in that the type of approach or strategy should be decided upon first, before the type of partnership required.

The following partnership arrangements are possible:

- *Public Driven – Community Development Partnerships:* This approach is based on the public sector as primary driver of development with strong community development objectives. This model is specifically designed to manage urban regeneration programmes with an emphasis on redevelopment of lagging areas with a focus on targeted infrastructure investment to direct and drive development.
- *Private Driven-Political Partnerships:* This approach is driven by private sector but mobilising community and political support to gain the necessary approvals. The public sector could be

requested to finance required bulk utility infrastructure. Accessing public land or the development of private land for economic development could occur through this approach. Of critical importance is the degree to which these approaches reflect the priorities and concerns of the public sector at all levels as well as broader community interest.

- *Public Driven-Private Response Partnerships:* This approach has been used in areas where the private sector has not been active in economic development and attempts are made to entice the private sector to participate. The public sector would be the primary initiator of development. This approach has limited chance to succeed, however, unless the involvement of the private sector is secured down the line.
- *Public-Public Partnership:* Sometimes municipalities need to form partnerships with other municipalities and government departments in order to ensure that services are delivered concurrently, effective and efficiently. The new Inter Government Relations Act provides for agreements and protocols in order to facilitate this process.
- *CBO/NGO Driven- Public Assisted Partnership Private Model:* This approach involves a community based organization (e.g. NPO or co-operative) taking primary responsibility for an economic development initiative with the public sector providing financial support, approvals and authorisations. The advantage of this approach is that the expertise and experience within local communities are being utilised.

Various combinations of these types of partnerships are possible and the most appropriate approach will depend on the type of economic programme or intervention envisaged. An important prerequisite for sustainable partnerships is the need for ongoing education and skill development, especially within under-resourced communities. Specific partnerships therefore need to be formed between the public, private and educational institutions to significantly increase the levels of education and skills of the local communities.

### **6.3 Building Economic Development Institutional Capacity**

CoGTA KZN and CMRA undertook a benchmarking assessment of Local Economic Development (LED) maturity during 2012. An implementation plan contained the following recommendations for the uThukela District Municipality:

- Use the District's register of businesses to profile the potential private sector partners, and better structure and select the LED interventions.
- Fill the many LED vacancies as a matter of urgency, with suitably qualified and experienced individuals who can manage the implementation of the LED strategy. The District should consider filling its vacant LED posts to include a position responsible for the in-house development of an LED strategy.
- Consider revitalising the District LED Forum.
- Adapt the District's communication strategy to better target key stakeholders through specialised communications channels and approaches appropriate for the context.
- Creating a LED unit, which has the ability to carry out its mandate, through specific actions relating to budget allocation, and LED learning.
- Undertake regular implementation review and adjust the strategy implementation plans accordingly, using in-house capacity. This requires developing internal analytical and project management skills where this is lacking.

All of the municipalities in uThukela district, except Emnambithi/Ladysmith Municipality, have no or severely limited local economic development capacity. LED should be an integral part of municipal strategic planning and be located within the municipal manager's office or within the



department responsible for the IDP and it cannot simply be a sub-unit within the municipal structures.

The intention of forming partnerships as a basis for economic activity has already been initiated through the formation of the uThukela LED Forum, established in terms of the Inter Government Relations Framework Act (Act 13 of 2005). The IGRF Act provides a framework, mechanisms and procedures that enable municipalities, the district; KZN provincial government as well as relevant private firms and community-based organisations to collaborate and form partnerships with each other on a wide range of economic development initiatives.

It is further proposed that in order to give effect to the LED Forum, that inter-municipal/public sector commissions be established for the following strategic areas at a district level:

- Manufacturing Development
- Business Development
- Agriculture and Rural Development
- Tourism Development
- Spatial Restructuring and Infrastructure

These commissions should be the main areas where the economic initiatives are undertaken, while the Forum should function as the overarching consensus building body for district wide economic initiatives. This approach will enable local municipalities to share expertise and capacity and draw in private and community based interests and capacity in a focussed manner.

Local private sector role players and ‘captains of industry’ should play important leadership roles within the proposed commissions. The commissions could focus initially on easily achievable tasks and tackle more complex challenges as their capacities increase. Given the diverse nature of the strategic areas, the commissions should operate independently from each other, but within the scope of the IDP and LED visions. A conscious effort should be made not to hamstring operations of the commission with bureaucracy and red tape. The ability of commissions to function should not be directly reliant on the LED capacities of municipalities, as they do not need to necessarily be headed by municipal officials or include LED officials from every municipality. Of importance, however, is that the commissions should have direct access to senior municipal officials (i.e. the municipal manager or mayor) in order to deal with critical issues.

The LED Forum would remain as a formal structure through which the commissions can report to local communities, perhaps on a quarterly basis. The commissions should in essence be voluntary bodies. However, they should be provided with administrative and financial support from municipality(s) to sustain their operations. Local municipalities should continue to play a significant role in implementation of the strategies and projects, but in partnerships with other role players. The commissions and Forum could be a forerunner for uThukela Development Agency. However, this option should only be considered once implementation capacity has been built and a clear programme of action has been agreed to.

- The vision and strategies for each of the identified strategic areas, as set out in this report, could be the starting point to prepare a Terms of Reference for each commission.
- An executive should be established, with the chairperson from the public, private or community sectors.

- An operational budget should be determined, based on the intended operations of the commission, but using public sector resources such as space, secretariat support, etc as much as possible.

The emphasis of the commission should be on realising the following uncontested national economic development goals:

- Sustainable economic growth.
- Job creation.
- Human resource development with emphasis on the development of skills and entrepreneurship.
- Broad based black economic empowerment.
- Poverty reduction, with emphasis on supporting sustainable livelihoods.

It should be remembered that the primary purpose of economic development projects should be to achieve these objectives and that projects are merely a means to end.

As a strategic resource for local economic development, utility services as well as assets such as land and buildings extend far beyond mere service delivery, and can also be used as a strategic interventionist tool. The municipality should broadly commit itself to direct the budget in such a manner as to achieve the optimal distribution of spending in areas of greatest need and greatest potential for economic development in uThukela district.

#### **6.4 Land Release and Development**

A comprehensive audit of land is required, in particular land with significant agricultural potential and land strategically located within the various towns in uThukela district.

- *Publicly owned land (municipal, provincial and national):* Land with development potential should not be disposed of without allocating a strategic role (through land use planning) and considering partnerships arrangements as the preferred option. The disposal of public land without such an approach leads to the benefits of beneficiation being skewed towards private sector investors. Manufacturing developments bring significant economic developments to municipalities and making land available timeously and at affordable or subsidised cost is there recommended.
- *Ingonyama Trust Land:* land in traditional ownership has eminence and cultural, historic and political importance, yet has to be employed to generate economic opportunities that benefit local communities. Outright disposal to the private sector should therefore be avoided in favour of long-term lease agreements or joint partnership agreements so that the benefits of developments are equitably shared.
- *Privately owned land:* The public sector has significant leverage on privately owned land without the required development rights. Capital-intensive developments should be requested to contribute towards the costs of broader bulk infrastructure developments beyond local utility connection fees. Dual investments in both wealthy and poor areas should be encouraged.

#### **6.5 Communication Strategy**

Effective and objective communication to mobilise support and action from the private sector, local communities, NGO's as well as the municipal and government departments is critical for the overall success of the uThukela Local Economic Development Strategy LED. A multi-dimensional communication strategy for the entire uThukela District should be formulated and implemented involving local radio, newspapers, magazines as well as the electronic media. This should include the use of websites, facebook, twitter and other media.

## 7. LED Projects

### 7.1 Project Identification Process

The following projects have been identified as an outcome of the LED Strategy contained in **Sections 5 and 6**. These are based on projects that have been previously included in (older) existing LED Strategy reports or sector-specific strategy documents. All previously included projects were narrowed down to the current subset by eliminating those that are not considered to be LED-related, e.g. construction of infrastructure that does not directly impact on LED such as housing, and those that have since been implemented or discarded by a particular Municipality prior to the development of this updated strategy. In total, around 165 projects were assessed throughout the District Municipality during the process.

New projects have also been identified in developing the updated LED Strategy for the District Municipality through consultation with key stakeholders.

### 7.2 LED Projects and Initiatives

**Table 7.1** provides the list of identified LED projects for the district and its local municipalities.

Table 7.1 LED studies &amp; projects for the district &amp; local municipalities

Strategy	Emnambithi/Ladysmith	Okhahlamba	uMtshezi	Imbabazane	Indaka
<b>CBD Regeneration; Township Improvement; Rural Node Development Strategies</b>	Existing Strategies & Plans <ul style="list-style-type: none"> <li>Ladysmith CBD Regeneration Strategy (2010)</li> <li>Colenso Regeneration Plan (2011)</li> <li>Ezakheni Township Regeneration Strategy (2009)</li> <li>Driefontein Local Area Plan (2011)</li> </ul>			Existing Strategies & Plans <ul style="list-style-type: none"> <li>Ntabamhlope Development Plan.</li> <li>eMangweni/ Loskop Development Plan.</li> </ul>	Existing Strategies & Plans <ul style="list-style-type: none"> <li>Indaka New Town Centre Plan (2012)</li> </ul>
	Proposed Projects <ul style="list-style-type: none"> <li>Implementation of the above plans.</li> </ul>	Proposed Studies <ul style="list-style-type: none"> <li>Bergville Regeneration Strategy.</li> <li>Woodford and Bethany Townships Regeneration Strategies.</li> </ul>	Proposed Studies <ul style="list-style-type: none"> <li>Escourt Regeneration Strategy.</li> <li>Wembezi Township Strategy.</li> </ul>	Proposed Projects <ul style="list-style-type: none"> <li>Implementation of the above plans.</li> </ul>	Proposed Projects <ul style="list-style-type: none"> <li>Implementation of the Indaka New Town Precinct Plan.</li> </ul>
<b>Manufacturing Development Strategies</b> <ul style="list-style-type: none"> <li>Business retention and expansion (BR&amp;E).</li> <li>Promotion and facilitation of new investment.</li> <li>Diversification of manufacturing sector.</li> <li>Infrastructure and services development &amp; maintenance.</li> <li>Skills development and training.</li> </ul>	Existing Strategies & Plans <ul style="list-style-type: none"> <li>ELM Manufacturing Sector Strategy (2010).</li> </ul>	Proposed Study <ul style="list-style-type: none"> <li>uThukela Manufacturing Sector Strategy (inclusive of all municipalities as well as findings of ELM Manufacturing Strategy).</li> </ul>			
	Proposed Projects <ul style="list-style-type: none"> <li>Support Aloe and Berg Tea production.</li> </ul> Proposed Studies <ul style="list-style-type: none"> <li>Investigate the refurbishment of Cemetery Road Industrial area.</li> <li>Support medicinal plant production.</li> <li>Investigate the development of a wholesale clothing trading facility.</li> <li>Driefontein industrial development feasibility study.</li> <li>Feasibility study for textile co-operatives.</li> </ul>	Proposed Projects <ul style="list-style-type: none"> <li>Market Bergville for agri-processing industries.</li> </ul>	Proposed Study <ul style="list-style-type: none"> <li>Feasibility study for food processing centre.</li> </ul>	Proposed Study <ul style="list-style-type: none"> <li>Investigate land availability for industrial &amp; business development in particular within Ntabamhlope and eMangweni.</li> <li>Feasibility study for manufacturing of blocks by local entrepreneurs.</li> </ul>	

Strategy	Emnambithi/Ladysmith	Okhahlamba	uMtshezi	Imbabazane	Indaka
<b>Business Development Strategies</b> <ul style="list-style-type: none"> <li>Place Marketing and Incentives.</li> <li>Retail Development.</li> <li>Informal Business Support.</li> </ul>	Proposed uThukela-wide Studies <ul style="list-style-type: none"> <li>Comprehensive Place Marketing and Incentive Programme.</li> <li>SMME Support Programme (inclusive of all municipalities and consideration of business support centers; hives, etc.).</li> <li>Informal Traders Strategy (inclusive of all municipalities and consideration of expansion of flea markets; business support needs of informal traders; est. forums for informal traders; etc.).</li> </ul>				
	Proposed Studies <ul style="list-style-type: none"> <li>Feasibility study for Ezakheni Business Park.</li> <li>Feasibility study BP&amp;O businesses (call centres).</li> <li>Feasibility study for commercial development in Driefontein.</li> <li>Develop a database of local service providers.</li> </ul> Proposed Projects <ul style="list-style-type: none"> <li>Facilitate development of Ezakheni Shopping Centre.</li> <li>Establish of trading stalls at Ezakheni Section A</li> <li>Create purchasing co-op to supply informal traders.</li> <li>Provide adequate trading space and trading stalls at the taxi ranks.</li> <li>Business networking through Ladysmith Chamber of Commerce.</li> </ul>				Proposed Studies <ul style="list-style-type: none"> <li>Strategy to incentivise refurbishment/redevelopment of existing and new retail facilities in Ekuvukeni and Mhlumayo.</li> </ul> Proposed Projects <ul style="list-style-type: none"> <li>Development of commercial precincts in Ekuvukeni and Mhlumayo.</li> <li>Facilitate the establishment of rural trading centres in Ekuvukeni, Limehill and other nodes.</li> </ul>
<b>Agriculture and Rural Development Strategies</b>	Existing Strategies <ul style="list-style-type: none"> <li>ELM Agricultural Development Plan (2006)</li> <li>ELM Rural Development Strategy (2010)</li> </ul>			Existing Strategy <ul style="list-style-type: none"> <li>Imbabazane Agricultural Development Strategy (2007)</li> </ul>	
	Proposed uThukela-wide Studies <ul style="list-style-type: none"> <li>Agriculture and Rural Development Strategy (inclusive of all municipalities as well as findings of ELM and Imbabazane Strategies)</li> <li>Small-scale Agricultural Development Strategy</li> </ul> Proposed uThukela-wide Projects/Initiatives <ul style="list-style-type: none"> <li>Facilitate release of Ingonyama Trust land for development.</li> <li>Improving beef farming activities of emerging and subsistence farmers.</li> <li>Support for existing co-operatives in rural areas.</li> <li>Identification and fencing of grazing land.</li> <li>Support and mentor small-scale agricultural farmers</li> </ul>				

Strategy	Emnambithi/Ladysmith	Okhahlamba	uMtshezi	Imbabazane	Indaka
	<ul style="list-style-type: none"> <li>Support the establishment of fresh produce markets for small-scale farmers.</li> <li>Establishment of an Agricultural Consultative Forum</li> <li>Support the development of fresh produce market (e.g. CBD of Bergville; uMtshezi, etc.)</li> </ul>				
	<b>Proposed Projects</b> <ul style="list-style-type: none"> <li>Support pig farming</li> <li>Support Aloe &amp; Berg tea production</li> <li>Facilitate the development of an agri-processing plant in Ladysmith.</li> <li>Facilitate the est. of a fresh produce market, agri-hub and poultry abattoir.</li> <li>Est. an agricultural desk at ELM and an Agri-Network Virtual Forum.</li> <li>Develop a branding programme for produce originating from ELM.</li> </ul>			<b>Proposed Studies</b> <ul style="list-style-type: none"> <li>Feasibility studies to establish a maize meal plant &amp; dry crop production</li> <li>Feasibility studies for dairy farming and for goat farming</li> <li>Feasibility study for a poultry and pig abattoir</li> </ul> <b>Proposed Projects</b> <ul style="list-style-type: none"> <li>Assist with Maize seed &amp; crop production.</li> <li>Assist with poultry farming.</li> </ul>	<b>Proposed Studies</b> <ul style="list-style-type: none"> <li>Feasibility to establish crop farming in Oqungweni, Sahlumbe, Mangweni/Mahlokom a, Kwanogejane, Nhlambamasoka, Mahlutshini and Somsuku.</li> <li>Pre-feasibility study to assist commercial animal feed producers</li> </ul>
<b>Tourism Development Strategies</b>	<b>Existing Studies</b> <ul style="list-style-type: none"> <li>ELM Tourism Development Strategy (2006)</li> <li>Ladysmith Black Mambazo Indigenous Music Academy Business Plan (2007)</li> </ul>			<b>Existing Studies</b> Imbabazane Tourism Strategy (2007)	
	<b>Existing Study uThukela-wide</b> <ul style="list-style-type: none"> <li>uThukela 2012 Tourism Development Strategy</li> </ul>				
	<b>Proposed uThukela-wide Project</b> <ul style="list-style-type: none"> <li>Implementation of the 2012 Tourism Development Strategy priority projects – district-wide projects are: <ul style="list-style-type: none"> <li>District events calendar and strategy, including lobbying for the use of local SMMEs during events</li> <li>Development of a district tourism website</li> <li>Development of a district marketing and distribution strategy</li> <li>Feasibility study for the establishment of a district tourism route</li> <li>Support the upper uThukela stewardship process</li> <li>Rural and township tourism strategy</li> <li>Feasibility study for a conference centre</li> <li>District tourism information office and craft hub</li> <li>Development of an investment promotion strategy</li> <li>Baseline study on tourism transformation</li> <li>Conduct a tourism skills audit</li> </ul> </li> </ul>				
	<b>Proposed Projects</b> <ul style="list-style-type: none"> <li>Ladysmith Black Mambazo</li> </ul>	<b>Proposed Project</b> <ul style="list-style-type: none"> <li>Woodstock Dam</li> </ul>	<b>Proposed Study</b> <ul style="list-style-type: none"> <li>Feasibility study for the</li> </ul>	<b>Proposed Study</b> <ul style="list-style-type: none"> <li>Feasibility Study to</li> </ul>	

Strategy	Emnambithi/Ladysmith	Okhahlamba	uMtshezi	Imbabazane	Indaka
	<p>Music Academy</p> <ul style="list-style-type: none"> <li>• Provide support for Umsuluzi Game Reserve restoration</li> </ul> <p>Proposed Study</p> <ul style="list-style-type: none"> <li>• Rail tourism feasibility study</li> </ul>	<p>tourism development (subject to outcomes of the cable car feasibility study)</p> <ul style="list-style-type: none"> <li>• Upgrade rock art centres</li> <li>• Redevelopment of Royal Natal Hotel</li> <li>• Lobby for upgrade of R74 (Oliviershoek Pass)</li> </ul>	<p>expansion of Weenen Game Reserve and Big Five Potential</p>	<p>establish a tourism hub in the foothills of the Drakensberg</p>	
<b>Building Economic Development Institutional Capacity</b>	<p>Proposed uThukela-wide Studies</p> <ul style="list-style-type: none"> <li>• Comprehensive audit of land that has economic potential as informed by SDFs.</li> <li>• Multi-dimensional communication strategy focusing on economic role –plyaers.</li> </ul> <p>Proposed uThukela-wide Projects/Interventions</p> <ul style="list-style-type: none"> <li>• Establish multi-role-player LED Commissions and district wide Business Network.</li> <li>• Give effect to the LED Forum – Quarterly Forum Meetings.</li> </ul>				



## 8. Implementation Plans for Priority Projects

### 8.1 Implementation Plans

Implementation plans have been developed for five of the priority projects that are identified in **Table 7.1**. The five projects that have been prioritised are as follows:

- Establishment of a municipal development agency; •
- Establishment of economic development commissions;
- Develop an uThukela Manufacturing Sector Strategy;
- Develop an uThukela Agricultural Sector Strategy; and
- Establishment of manufacturing hives.

In terms of motivation, these stem from the following needs in terms of LED for uThukela: •

Firstly the need to dramatically increase the region's institutional capacity to undertake economic development, and this requires that all of the municipalities in the district (including the district) work together towards a common goal. The commissions are suggested to start the process and it is envisaged that this will be followed by the development agency. It is envisaged that the development agency would be driven by a joint task team, co-ordinated by the district, and perhaps with ELM playing a leading role in the activities of the agency.

- Secondly, some critical studies are required for important economic sectors, i.e. Manufacturing and Agriculture. Sector studies for these have been prepared for ELM but these must now be extended to include the rest of the district.
- Thirdly, the establishment of manufacturing hives is proposed to lead the support for small businesses, also in line with a national initiative (SEDA) to roll out hives.

The implementation plans for the above priority projects are presented on the following pages. This is then followed by a monitoring and evaluation framework.

Name of Project	Project Description/Concept	Project Objectives	Project Location	Action Steps to Implement	Primary Responsibility	Project Timing						Project Budget	Budget Notes	Potential Sources of Funding
						Yr1	Yr2	Yr3	Yr4	Yr5	Yr6+			
<b>1. Establishment of a municipal development agency</b>	To establish a development agency within the District that will be responsible for driving infrastructure development projects and acting in a project management role to facilitate investment in the Municipality	To facilitate implementation of hard infrastructure projects	Not applicable - the agency will focus on development throughout the municipality (but aligned to strategic objectives and priorities as identified in relevant planning documents such as the LED Strategy)	1.1	Obtain council resolution to approve the establishment of the development agency	Task Team consisting of all local municipalities and uThukela District Municipality (UDM)						No cost only time	Time cost = municipal official/resource's time to undertake activity/action	UDM
		To speed up development processes and implementation		1.2	Prepare a terms of reference for the agency	UDM						R 200 000	Fees for service provider to assist with development of TOR	UDM
		To improve partnerships for development (both hard and soft infrastructure/issues)		1.3	Apply to relevant funders for initial start-up funding	UDM						Included in 1.2 above		Industrial Development Corporation; Development Bank of Southern Africa; UDM; Local municipalities in
		To free up municipal resources related to development		1.4	Establish legal entity in line with MFMA	UDM						Included in 1.2 above	Service provider to assist with registration & legal formation	See 1.3
				1.5	Constitute/appoint a Board of Directors for the agency	UDM						No cost only time		See 1.3
				1.6	Appoint key staff within the agency, e.g. CEO	Development agency Board						R 2 110 000	Initial start-up costs (e.g. FFE), staff and marketing	
				1.7	Prepare a detailed operational strategy and business plan for the agency	Development agency Board						Included in 1.6 above		
				1.8	Implement the strategy and business plan	Development agency Board						To be determined	Subject to budgets in strategy and business plan	

Name of Project	Project Description/Concept	Project Objectives	Project Location	Action Steps to Implement	Primary Responsibility	Project Timing						Project Budget	Budget Notes	Potential Sources of Funding
						Yr1	Yr2	Yr3	Yr4	Yr5	Yr6+			
<b>2. Economic Development Commissions</b>	To establish Economic Development Commissions for the six key strategic areas for uThukela, namely: - <ul style="list-style-type: none"> <li>• Manufacturing Development</li> <li>• Business Development</li> <li>• Agriculture and Rural Development</li> <li>• Tourism Development</li> <li>• Spatial Restructuring and Infrastructure</li> </ul> The commissions will prepare the groundwork for the proposed development agency	To provide a platform for role players involved in the economic development of the district to jointly identify challenges and possible solutions	District-wide, depending on the specific commission focus area.	2.1	Develop terms of reference for the commissions	UDM						No cost only time	Officials to provide admin support	UDM with possible support from the local municipalities
		For private, public and community based businesses to share expertise and experiences	District-wide, depending on the specific commission focus area.	2.2	Establish Commission EXCOs	UDM						No cost only time	Officials to provide admin support	See 2.1
		To increase co-operation between businesses and generate opportunities for new economic growth	District-wide, depending on the specific commission focus area.	2.3	Secure administrative support	UDM						No cost only time	Officials to provide admin support	See 2.1

Name of Project	Project Description/Concept	Project Objectives	Project Location	Action Steps to Implement	Primary Responsibility	Project Timing						Project Budget	Budget Notes	Potential Sources of Funding
						Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6+			
<b>3. Develop an uThukela Manufacturing Sector Strategy</b>	To appoint a service provider to conduct an assessment of manufacturing in the municipality (status quo) and develop a sector strategy to deal with unlocking the manufacturing potential of the municipality	To develop a sector specific strategy for manufacturing	District-wide strategy - geographic focus will be determined during the preparation of the strategy	3.1	Develop terms of reference for the study	UDM						No cost only time		UDM
		To identify challenges facing the manufacturing sector in the municipality and how to address these		3.2	Call for proposals from service providers to conduct the study	UDM						No cost only time		KZN DEDT
		To identify mechanisms to unlock the manufacturing potential of the municipality		3.3	Appoint a preferred service provider to conduct the study	UDM						R 600 000	Professional fees, disbursements and VAT for service provider	
		To prioritise sub-sectors within manufacturing for improvement or new development		3.4	Approve the strategy and implement the findings	UDM						To be determined	Subject to budgets in final strategy	

Name of Project	Project Description/Concept	Project Objectives	Project Location	Action Steps to Implement	Primary Responsibility	Project Timing						Project Budget	Budget Notes	Potential Sources of Funding
						Yr1	Yr2	Yr3	Yr4	Yr5	Yr6+			
<b>4. Develop an uThukela Agricultural Sector Strategy</b>	To appoint a service provider to conduct an assessment of agriculture in the municipality (status quo) and develop a sector strategy to deal with unlocking the agricultural potential of the municipality	To develop a sector specific strategy for agriculture	District-wide strategy - geographic focus will be determined during the preparation of the strategy	4.1	Develop terms of reference for the study	UDM						No cost only time		UDM
		To identify challenges facing the agricultural sector in the municipality and how to address these		4.2	Call for proposals from service providers to conduct the study	UDM						No cost only time		KZN DAEA
		To identify mechanisms to		4.3	Appoint a preferred service provider to	UDM						R 600 000	Professional fees, disbursements and	
		To prioritise agricultural products and geographic areas for improvement or new development		4.4	Approve the strategy and implement the findings	UDM						To be determined	Subject to budgets in final strategy	

Name of Project	Project Description/Concept	Project Objectives	Project Location	Action Steps to Implement	Primary Responsibility	Project Timing						Project Budget	Budget Notes	Potential Sources of Funding
						Yr1	Yr2	Yr3	Yr4	Yr5	Yr6+			
<b>5. Establishment of manufacturing hives</b>	To facilitate the development of manufacturing 'hives' in key locations within the district. Hives are clusters of small business units that are established to be taken up by small manufacturing businesses in urban areas to conduct their business activities	To identify key locations for the development of hives	Specific geographic focus will be determined during the location assessment - hives to be located in urban areas where number/s of small businesses justify investment in hive infrastructure	5.1	Conduct identification and location assessment for the potential development of hives	Service provider to be appointed by UDM to conduct a feasibility study						R 600 000	Professional fees, disbursements and VAT for service provider	UDM
		To improve access to business premises for small manufacturing businesses		5.2	Conduct an assessment of the number and types of small businesses that may have potential to be attracted to hives	See 5.1						Included in 5.1 above		KZN DEDT
		To improve involvement of SMMEs in the manufacturing sector		5.3	Test interest with the market in terms of the concept of hives	See 5.1						Included in 5.1 above		KZN COGTA
		To align to national development priorities with regards to the establishment of hives		5.4	Prioritise locations and identify specific sites for development, preferably on municipal-owned land	See 5.1						Included in 5.1 above		dti
				5.5	Enter into use agreements for land	UDM with support from local municipalities						R 250 000	Legal and admin fees	Local municipalities
				5.6	Call for expressions of interest from the market to take up premises at hives	UDM						No cost only time		
				5.7	Provide infrastructure for hives, i.e. bulk and buildings	UDM with support from local municipalities, bulk service providers						To be determined	Subject to budgets in final manufacturing strategy and infrastructure development needs	
				5.8	Secure tenants for the hives	UDM with support from local municipalities						No cost only time		

## **8.2 Monitoring & Evaluation Framework**

For each of the five priority projects, the following monitoring and evaluation framework has been developed (see over the page). A terms of reference has been prepared for the LED commissions and is presented at the end of this section.



Name of Project	Action Steps to Implement		Primary Responsibility	Project Timing						Monitoring & Evaluation	
				Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6+	Performance Indicator	Performance/M&E Tool
<b>1. Establishment of a municipal development agency</b>	1.1	Obtain council resolution to approve the establishment of the development agency	Task Team consisting of all local municipalities and uThukela District Municipality (UDM)							Council resolution	Council resolution
	1.2	Prepare a terms of reference for the agency	UDM							Terms of reference developed and approved	Terms of reference
	1.3	Apply to relevant funders for initial start-up funding	UDM							Funding secured	Signed agreements with funders
	1.4	Establish legal entity in line with MFMA	UDM							Establishment of legal entity	Company registration documents
	1.5	Constitute/appoint a Board of Directors for the agency	UDM							Appointment of Board of Directors	Signed contracts of Directors
	1.6	Appoint key staff within the agency, e.g. CEO	Development agency Board							Appointment of key staff	Signed employment contracts
	1.7	Prepare a detailed operational strategy and business plan for the agency	Development agency Board							Approval of strategy and business plan by the Board of Directors	Board resolution/minutes of meetings
	1.8	Implement the strategy and business plan	Development agency Board							80% of targets set must be met	Strategy targets and action items
<b>2. Economic Development Commissions</b>	2.1	Develop terms of reference for the commissions	UDM							Terms of reference developed and approved	Terms of reference
	2.2	Establish Commission EXCOs	UDM							Commissions formally established	Minutes of meetings
	2.3	Secure administrative support	UDM							Officials assigned to provide support to the Commissions	Progress reports
<b>3. Develop an uThukela Manufacturing Sector Strategy</b>	3.1	Develop terms of reference for the study	UDM							Terms of reference developed and approved	Terms of reference
	3.2	Call for proposals from service providers to conduct the study	UDM							RFP issued	RFP
	3.3	Appoint a preferred service provider to conduct the study	UDM							Service provider appointed	Letter of appointment and signed contract
	3.4	Approve the strategy and implement the findings	UDM							Council resolution	Council resolution

Name of Project	Action Steps to Implement		Primary Responsibility	Project Timing						Monitoring & Evaluation	
				Yr1	Yr2	Yr3	Yr4	Yr5	Yr6+	Performance Indicator	Performance/M&E Tool
<b>4. Develop an uThukela Agricultural Sector Strategy</b>	4.1	Develop terms of reference for the study	UDM							Terms of reference developed and approved	Terms of reference
	4.2	Call for proposals from service providers to conduct the study	UDM							RFP issued	RFP
	4.3	Appoint a preferred service provider to conduct the study	UDM							Service provider appointed	Letter of appointment and signed contract
	4.4	Approve the strategy and implement the findings	UDM							Council resolution	Council resolution
<b>5. Establishment of manufacturing hives</b>	5.1	Conduct identification and location assessment for the potential development of hives	Service provider to be appointed by UDM to conduct a feasibility study							Completion of location assessment within feasibility study	Feasibility study report
	5.2	Conduct an assessment of the number and types of small businesses that may have potential to be attracted to hives	See 5.1							Completion of manufacturing SMME database as part of feasibility study	Database
	5.3	Test interest with the market in terms of the concept of hives	See 5.1							Completion of market survey as part of feasibility study	Feasibility study report
	5.4	Prioritise locations and identify specific sites for development, preferably on municipal-owned land	See 5.1							Completion of location assessment within feasibility study	Feasibility study report
	5.5	Enter into use agreements for land	UDM with support from local municipalities							Final agreements signed	MOU/MOAs
	5.6	Call for expressions of interest from the market to take up premises at hives	UDM							Call for expressions of interest	Number of responses received
	5.7	Provide infrastructure for hives, i.e. bulk and buildings	UDM with support from local municipalities, bulk service providers							Provision of bulk services to sites and completion of	Construction management reports
	5.8	Secure tenants for the hives	UDM with support from local municipalities							Number of tenants secured, % of GLA utilised	Lease agreements, management accounts

### 8.2.1 Suggested Terms of Reference for the Commissions

#### Background and Purpose

The local economic development strategies prepared for uThukela District-, Indaka-, Emnambithi-/Ladysmith-, uMtshezi-, Okhahlamba-, and Imbabazane municipalities proposed that **inter-municipal Commissions** be established at a district level for the following economic focus areas:

- Manufacturing Commission
- Business Commission
- Agriculture and Rural Commission
- Tourism Commission
- Spatial Restructuring Commission

Details regarding the specific strategies that should be pursued by the Commission are captured within the uThukela LED strategy and the respective local municipal LED Strategies. Studies and projects that to be undertaken by each commission are reflected in Table... The overall purpose and aim of the Commission should be to realising the following national and local economic development goals:

- Sustainable economic growth.
- Job creation.
- Human resource development with emphasis on education, improving skills and entrepreneurship.
- Broad based black economic empowerment.
- Poverty reduction, with emphasis on supporting sustainable livelihoods.

The commissions should be allowed to operate independently from each other, given the diverse nature of the economic focus areas. The main activities of the commissions should include analysing the problems and challenges and generating ideas and detailed interventions to grow the specific economic sector and the overall uThukela economy, whilst meeting the goals listed above. The commissions could focus initially on easily achievable tasks and tackle more complex challenges as their capacities increases.

#### Composition of Commission

The composition of each commission should be guided by the required technical skills and should include the following:

- ‘Captains of industry’ and other key private sector role players and should be invited to play important leadership roles within the commissions.
- Industry specialists (e.g. researches, academics, DTI specialist) should be invited to participate in the commissions.
- Key public sector officials with technical skills (e.g. economic development, urban planning, engineering) should be included in the specific commissions.
- Community members with specific knowledge of economic related activities (e.g. labour issues, skills capacity) should be identified and included.

The objective is not to establish the commissions as a representative platform. In contrast, the LED Forum, as representative entity, should function as the overarching consensus building body for district wide economic initiatives.

### Operation and Administration of Commissions

The operation and administration of the commissions should be guided by the following:

- An executive should be established, with the chairperson preferably an industry specialist.
- The commissions should endeavour to meet at least once per month.
- Their operations should not be hamstringed by bureaucracy and red tape.
- They should have direct access to senior municipal officials (i.e. the municipal manager or mayor) when dealing with critical issues.
- They should be voluntary bodies; however, they should be provided with administrative and financial support from municipality(s) in order to sustain their operations.
- An operational budget should be determined, based on the intended operations and strategies of the commission, but using public sector resources such as office space, secretariat support, etc. as much as possible.

### Implementation and Monitoring

- Activities relating to additional research/studies, networking, policy formulation, etc. could fall within the ambit of the commission activities.
- Local municipalities should continue to implement physical projects and strategies within the ambit of their powers and functions, but preferably in partnerships with other role players. • The commissions could play a critical role in monitoring and evaluating programmes, projects and other interventions pursued.

The commissions and LED Forum could be a forerunner for **uThukela Development Agency**. However this option should only be considered once the commission have established a clear programme of action and implementation capacity through public, private and community partnerships has been established.

## 9. Conclusion

This is not the first initiative to formulate an LED Strategy for uThukela District Municipality. Most of the local municipalities have limited capacity to facilitate economic development within their municipal area. A wide range of specialist agricultural, manufacturing and urban regeneration studies need to be undertaken to provide further detail to the LED strategy. Ideally these should occur annually and be undertaken in-house as recommended by the CoGTA KZN and CMRA. Of vital importance is for all municipalities to acknowledge that their economic fortune is inextricably linked to the other municipalities within uThukela District and KZN and therefore the preparation and implementation of economic development interventions should be co-ordinated, collaborated and partnered as far as possible.

